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CIBCR

A Bimonthly Report
Designed to Assist in the Evaluation
of Current Business Conditions

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Summary

Growth rates in the leading indexes were all positive as the U.S. economy began its fifth year of expansion. Compared with the average of the two previous expansions since 1949 that lasted more than four years, none of the leading indexes are suggesting a hasty end to this one. The Business Week leading index is rising much faster than its average at the same stage of the two long-lasting expansions. The leading employment index and the Commerce Department's leading index are right on the average mark. The NAPM leading index, reflecting the industrial side of the economy, is below the average but still positive.

The leading indicators for other countries are also doing their bit to help the U.S. economy. The composite index for eight major industrial countries other than the U.S. is climbing faster than its average rate at the four year mark of the two long expansions. This should help U.S. exports in 1987, with an assist from the falling dollar.

Inflation also is on the march. The low point seems to have been reached last April. The leading index of inflation has been rising since September 1985, a seven month lead on the inflation rate, which is about par for the course. Materials prices and import prices are the main elements pushing the leading index up.

A New Inflation Upswing

Since 1949 the United States has experienced nine inflation cycles -- a sustained upswing in the rate of inflation followed by a sustained downswing. In the earlier years the downswings brought the inflation rate to a negative level -- the consumer price index actually declined. That happened again briefly last spring, largely as a result of the sharp drop in oil prices. The smoothed inflation rate used by CIBCR did not reach negative territory, but did get down to an annual rate of 0.5% in April, its lowest level since 1959. Since then the rate has risen to 1.7% in November, the latest figure as of this writing. A seven-month upswing does not make a cycle, but various considerations suggest that the upswing will continue and that April marked the low point for this cycle.

To explore these factors and put the current upswing in perspective we have begun to compile inflation recovery patterns. The inflation trough dates for the nine preceding cycles are used as the jumping-off points and the current upswing is compared with the average of the previous nine (Chart A). We find that the average inflation rate at the previous trough dates was 1.0%. From there the average pattern moves up to around 4 1/2% within a year and a half. So far the current upswing has remained about a half percent below the average pattern, and if it continues to do so it will reach the 4% level around the end of 1987.

The leading inflation index, also shown in Chart A, began its upswing in the previous cycles about six months before the inflation trough, and it has done that this time also. Currently it too is somewhat below the average track but moving up. That is one factor supporting the view that the inflation upswing will continue, albeit at a moderate pace.

Two of the components of the leading inflation index that are currently giving it most of its upward push are also shown in Chart A. The growth rate of industrial materials prices, published by the Journal of Commerce, was pushed down sharply last spring by the drop in crude oil prices and reached its low in April, at the same time as the CPI rate. Since then it has been rising, reaching the level of its average previous pattern in November and going above that in recent weeks, up to 6% in mid-December. This has been a widespread movement, not confined to a few materials. Since some of these materials are imported, the rise may partly reflect the decline in the dollar exchange rate. This has also affected the prices of imported finished goods, and an index covering all import prices except fuels has been rising rapidly, as shown in the lower right hand corner of Chart A.

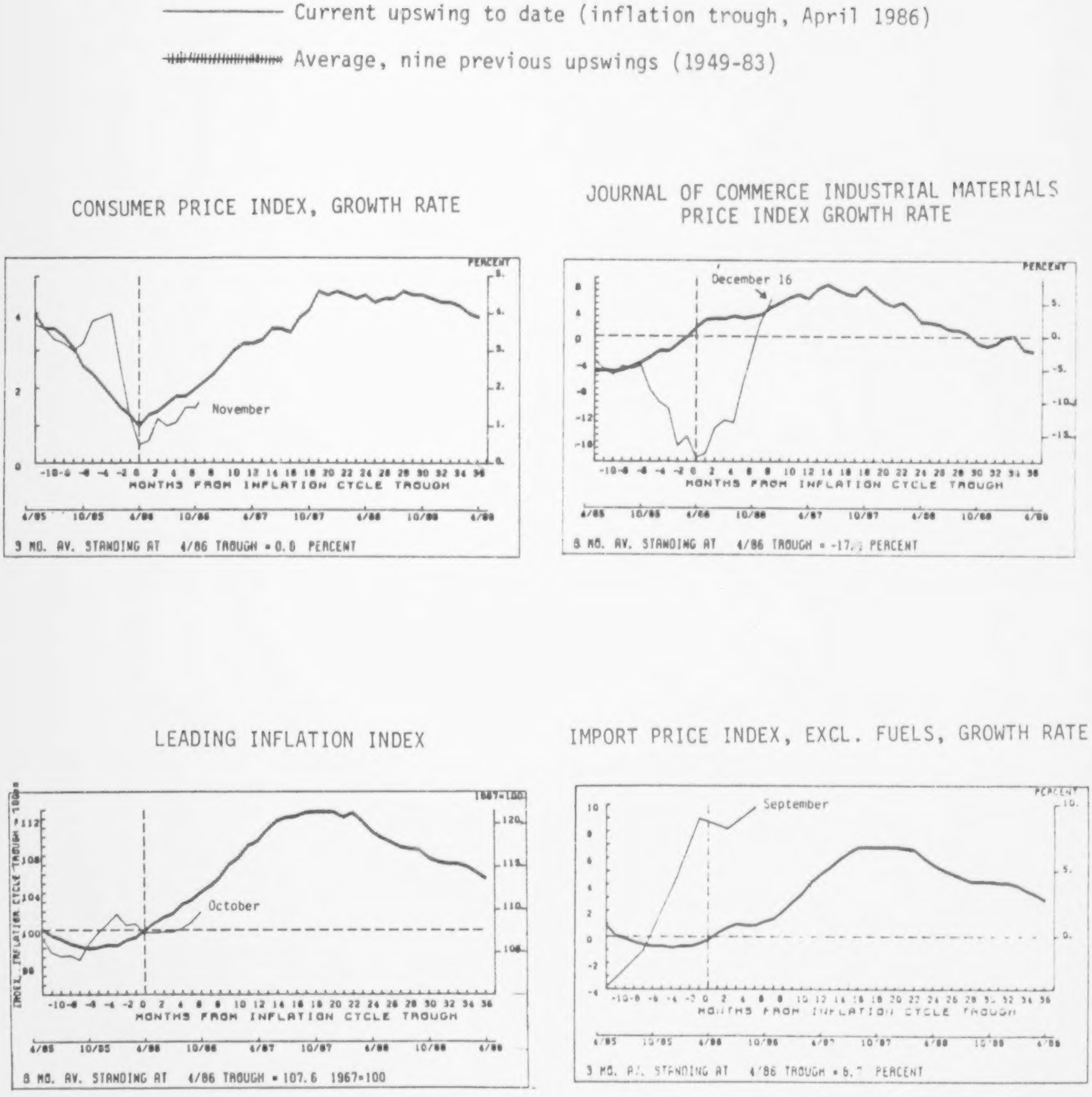
Favorable Prospects for Exports

The leading index for eight industrial countries other than the United States (Charts 14 and 15) has been moving up briskly, with a seven percent annual growth rate at the latest reading (September). That spells good news for U.S. exports, since the 8-country leading index is a harbinger of demand in those countries, which absorb about half of our total exports. Coupled with another favorable factor, the decline in the dollar exchange rate since early 1985, a reversal of the declining trend in U.S. exports of manufactured goods is in prospect.

These two elements account for a substantial portion, nearly three-fourths, of the variation in the growth of manufactured goods exports in recent years. Chart B shows how they have

CHART A.

INFLATION UPSWING PATTERNS



Current upswing to date (inflation trough, April 1986)

Average, nine previous upswings (1949-83)

CONSUMER PRICE INDEX, GROWTH RATE

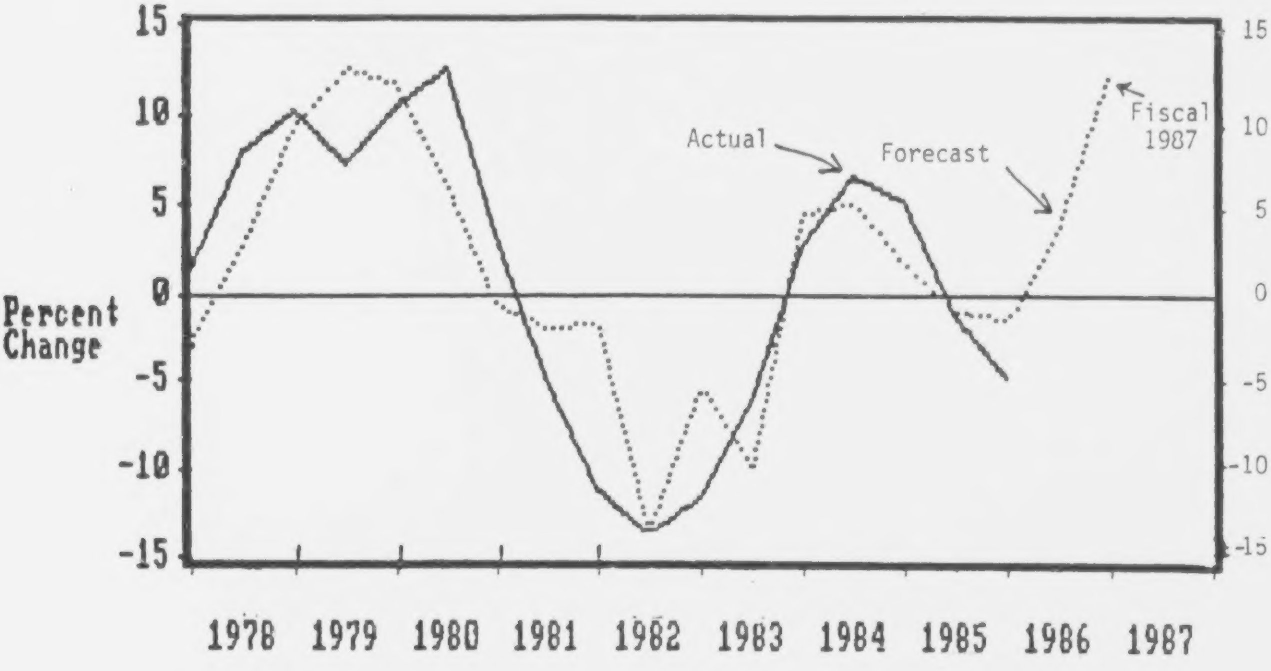
JOURNAL OF COMMERCE INDUSTRIAL MATERIALS PRICE INDEX GROWTH RATE

LEADING INFLATION INDEX

IMPORT PRICE INDEX, EXCL. FUELS, GROWTH RATE worked since 1978. To forecast the calendar-year change in export volume we use the growth rate in the 8-country leading index at the end of the preceding year and the growth rate in the real exchange rate in the middle of the preceding year. This allows for a lead-time of about six months in the leading index and twelve months in the exchange rate. A similar procedure is used to forecast fiscal-year changes.

The results show that for the year ending in June 1987 the expected increase in the volume of manufactured goods exports is about 12%. If that is attained, it will be the best performance since 1980. Even if that figure is not reached, we know there are two powerful factors helping to boost industrial exports and therefore output next year. For further discussion of this approach to forecasting exports, see the December 1986 issue of The Conference Board's International Economic Scoreboard.

CHART B.
FORECAST AND ACTUAL YEAR-TO-YEAR CHANGES IN REAL VOLUME OF U.S. EXPORTS OF MANUFACTURED GOODS



Forecasts are based on the CIBCR 8-country leading index and the Morgan Guaranty 44-country real exchange rate.

Center for International Business Cycle Research, December 1986.

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The series numbers of indicators that are reported in Business Conditions Digest are noted above. Readers may wish to consult the 1984 Handbook of Cyclical Indicators for further information on particular time series. The letter symbols L, C, Lg and U identify the timing classification of the series with respect to business cycles, as shown in Business Conditions Digest. L = leading, C = coincident, Lg = lagging, and U = unclassified because of inconsistency in timing. The three letters in parentheses refer to peaks, troughs and to peaks and troughs, respectively. When the series we use is similar to but not identical with the BCD series, the BCD classification has been used. In the case of growth rates, we show the classification only where a similar growth rate for the same or similar series is classified in BCD.

A GUIDE TO RECESSION-RECOVERY WATCH TABLES

As readers of Recession-Recovery Watch know, the record of previous business cycle expansions provides a guide to the future prospects of the current expansion. The idea is, of course, incorporated in the Recession-Recovery Watch pattern charts and tables.

The tables cover more than sixty indicators and give the information needed to analyze the indicators from three viewpoints: the current expansion, two very long expansions since 1961, and the average of the two very long expansions. The two very long expansions are: 1961-69, (106 months) and 1975-80 (58 months). The expansions that are excluded from the averages covered the following periods: 1949-53, 45 months; 1954-57, 39 months; 1958-60, 24 months; 1970-73, 36 months; 1980-81, 12 months.

The figures show the most recent position of the indicator compared with its position the same number of months after the start of each of the previous expansions. That is, if the latest figure is for, say, November 1985, which is 36 months after the November 1982 business cycle trough, all the entries for that indicator will be for 36 months after the troughs of previous cycles.

Series that are expressed as growth rates, changes, or ratios appear as actual values (Table 1) and as differences from business cycle troughs standings (Table 3). All other series are expressed as percentages of business cycle trough standings (Table 2). The standing is a three month average centered on the trough month. In the case of quarterly series the trough standing is the figure for the business cycle trough quarter. The monthly and quarterly trough dates are those established by the National Bureau of Economic Research.

The tables pinpoint the most recent month available for each indicator, and compare it with the corresponding point in each of the previous expansions.

A more comprehensive set of tables, the 1986 Supplement, has also been constructed by the Center. It includes sixty-three indicators and covers each month of the three long expansions since 1948, starting 11 months before the trough and ending five years after the trough. The average recovery is also shown for each month of the six-year span. Hence, one can use the figures to construct charts, to update comparisons month by month, to analyze changes during the later years of expansion, or to compare forecasts for the current expansion with what happened in previous expansions.

To order the 100-page 1986 Supplement, send in the order form on the back cover.

TABLE 1

RECESSION-RECOVERY STATUS UP TO 48 MONTHS AFTER THE BUSINESS CYCLE TROUGH
Actual Levels

		UNIT	Months After Business CYCLE Trough	Expansions Starting Feb. 1961	Expansions Starting Mar. 1975	Average (1961, 1975)	Current Expansion Starting NOV. 1982	Last Month or QUARTER Available
I.	Composite Indexes							
6.	BUSINESS WEEK LEADING INDEX, GROWTH RATE	%	48	4.7	6.0	5.3	12.5	NOV
6A.	N.A.P.M. INDEX, GROWTH RATE	%	48	9.0	6.7	7.8	3.7	NOV
7.	LEADING EMPLOYMENT INDEX, GROWTH RATE	%	48	7.2	3.6	5.4	4.5	NOV
8.	COINCIDENT EMPLOYMENT INDEX, GROWTH RATE	%	48	7.1	7.3	7.2	4.3	NOV
9.	LEADING INDEX, GROWTH RATE.	%	48	7.3	3.3	5.3	6.0	NOV
10.	COINCIDENT INDEX, GROWTH RATE	%	48	8.9	6.7	7.8	1.9	NOV
11.	DIFFUSION INDEX OF LEADING INDICATORS	% RISING	48	74.0	69.0	71.5	72.0	NOV
13.	RATIO, COINCIDENT TO LAGGING INDEX	1967=100	48	98.1	127.3	112.7	124.2	NOV
15.	EIGHT-COUNTRY LEADING INDEX, GROWTH RATE	%	46	1.4	7.9	4.6	7.1	SEPT
II.	Output, Income and Sales							
17.	REAL GNP GROWTH RATE	%	15Q	3.5	6.0	4.7	2.2	Q3
III.	Employment and Unemployment							
23.	EMPLOYMENT TO POPULATION RATIO	%	48	56.4	60.4	58.4	61.2	NOV
28.	EMPLOYMENT DIFFUSION INDEX, 186 INDUS.	% RISING	48	82.0	74.2	78.1	55.4	NOV
29.	UNEMPL. SEVERITY INDEX	WEEKS PER 100 IN LABOR FORCE	48	61.7	67.9	64.8	102.1	NOV
30.	UNEMPLOYMENT RATE: TOTAL	%	48	4.9	5.8	5.3	6.9	NOV
31.	UNEMPLOYMENT RATE: INSURED	%	48	3.3	3.1	3.2	2.7	NOV
33.	SHORT-DURATION UNEMPLOYMENT RATE	%	48	3.7	4.5	4.1	5.0	NOV
34.	LAYOFF RATE UNDER 5 WEEKS (TIMES 10)	%	48	3.3	4.3	3.8	4.8	NOV
35.	PART-TIME EMPLOYMENT RATIO	%	48	3.2	3.8	3.5	2.6	NOV
IV.	Investment Commitments and Inventories							
42.	INVENTORY/SALES RATIO (TIMES 10)	%	46	14.1	15.7	14.9	14.9	SEPT
43.	CHANGE IN INVENTORIES ON HAND & ON ORDER	BIL. 82$.	46	35.6	60.7	48.1	-6.4	SEPT
V.	Productivity, Wages, Costs, Prices and Profits							
44.	OUTPUT PER HOUR, GROWTH RATE	%	15Q	2.4	0.8	1.6	0.8	Q3
45.	UNIT LABOR COSTS, GROWTH RATE	%	15Q	1.6	8.0	4.8	1.9	Q3
46.	HOURLY COMPENSATION, GROWTH RATE	%	15Q	4.0	8.7	6.3	2.6	Q3
47.	REAL HOURLY COMPENSATION, GROWTH RATE	%	15Q	2.8	-0.3	1.2	1.3	Q3
48.	SELLING PRICE INDEX, GROWTH RATE	%	15Q	1.3	7.9	4.6	2.3	Q3
49.	GROWTH IN PRICES MINUS GROWTH IN COSTS	% POINTS	15Q	-0.3	-0.1	-0.2	0.4	Q3
50.	CORPORATE PROFIT MARGIN	%	15Q	12.2	8.2	10.2	8.4	Q3
51.	PRICE/LABOR COST RATIO	1977=100	15Q	100.4	99.4	99.9	99.1	Q3
55.	CONSUMER PRICE INDEX, GROWTH RATE	%	48	1.3	10.4	5.8	1.7	NOV
57.	INDUSTRIAL MAT. PRICE INDEX, GROWTH RATE	%	48	3.4	22.4	12.9	2.0	NOV
58.	IMPORT PRICES EXCL. FUELS, GROWTH RATE	%	46	1.8	11.2	6.5	9.9	Q3(SEPT)
59.	ANTICIPATED SELLING PRICES (D&B SURVEY)	% RISING	46	59.0	89.0	74.0	61.0	Q3(SEPT)
VI.	Money, Credit, Interest Rates and Stock Prices							
60.	BUSINESS & CONSUMER DEBT, GROWTH RATE	%	47	11.8	15.0	13.4	5.7	OCT
61.	FEDERAL DEBT, GROWTH RATE	%	48	2.2	5.6	3.9	15.0	NOV
62.	TOTAL DEBT, GROWTH RATE	%	47	8.1	12.6	10.3	8.2	OCT
63.	MONEY SUPPLY (M1), GROWTH RATE	%	48	4.2	6.8	5.5	16.7	NOV
64.	MONEY SUPPLY (M2), GROWTH RATE	%	48	8.4	7.7	8.0	9.7	NOV
65.	TREASURY BILL RATE (3-MONTH)	%	48	3.9	9.5	6.7	5.4	NOV
66.	NEW CORPORATE BOND YIELD (AA)	%	48	4.4	9.6	7.0	9.0	NOV

TABLE 2

RECESSION-RECOVERY STATUS UP TO 48 MONTHS AFTER THE BUSINESS CYCLE TROUGH
Percentage Change from Trough Levels

	Months After Business Cycle Trough	Expansions Starting FEB. 1961	Expansions Starting MAR. 1975	Average (1961, 1975)	Current Expansion Starting Nov. 1982	Last Month or Quarter Available
I. Composite Indexes						
1. BUSINESS WEEK LEADING INDEX (CIBCR)	46	27.3	31.8	29.5	39.6	NOV
1A. N.A.P.M. INDEX	48	31.9	32.8	32.4	18.5	NOV
2. LEADING EMPLOYMENT INDEX (CIBCR)	48	28.8	27.3	28.1	27.5	NOV
3. COINCIDENT EMPLOYMENT INDEX (CIBCR)	48	25.6	39.5	32.5	33.2	NOV
4. LEADING INDEX (BCD)	48	32.3	37.2	34.8	30.7	NOV
5. COINCIDENT INDEX (BCD)	48	28.3	33.1	30.7	24.7	NOV
12. LAGGING INDEX (BCD)	48	14.8	1.0	7.9	12.5	NOV
14. EIGHT-COUNTRY LEADING INDEX (CIBCR)	46	12.0	25.0	18.5	25.6	SEPT
II. Output, Income and Sales						
16. REAL GNP	15Q	19.3	20.4	19.8	16.7	Q3
18. INDUSTRIAL PRODUCTION INDEX	48	37.4	34.4	35.9	25.2	NOV
19. REAL PERSONAL INCOME	48	20.0	19.1	19.5	14.4	NOV
20. REAL CONSUMER EXPENDITURES	48	20.2	18.6	19.4	17.3	NOV
21. REAL RETAIL SALES	48	22.6	22.2	22.4	24.6	NOV
III. Employment and Unemployment						
22. TOTAL EMPLOYMENT	48	6.7	15.2	10.9	11.2	NOV
24. NONFARM EMPLOYMENT	48	11.7	16.9	14.3	13.9	NOV
25. NONFARM EMPLOYEE-HOURS	48	12.9	16.7	14.8	14.5	NOV
26. EMPLOYMENT IN GOODS-PRODUCING INDUSTRIES.	48	9.9	17.6	13.8	8.4	NOV
27. EMPLOYMENT IN SERVICE-PRODUCING INDUSTRIES	48	12.8	16.5	14.6	15.8	NOV
32. INITIAL CLAIMS, UNEMPLOYMENT INSURANCE	48	-38.1	-34.7	-36.4	-40.6	NOV
36. AVERAGE WORKWEEK, MANUFACTURING	48	4.8	4.2	4.5	5.0	NOV
37. OVERTIME HOURS, MANUFACTURING	48	71.4	54.2	62.8	52.2	NOV
IV. Investment Commitments and Inventories						
38. NEW PRIVATE HOUSING STARTS	48	15.5	90.9	53.2	24.6	NOV
39. NEW PRIVATE HOUSING PERMITS	48	16.8	109.9	63.4	28.1	NOV
40. CONTRACT & ORDERS, PLANT & EQUIPMENT	47	41.1	65.8	53.4	33.4	OCT
41. NEW CAPITAL APPROPRIATIONS, MANUFACTURING	15Q	70.5	25.6	48.1	-5.0	Q3
V. Productivity, Wages, Costs, Prices and Profits						
52. LARGE BUSINESS FAILURES	48	4.1	-1.4	1.4	9.0	NOV
53. LEADING INDEX OF INFLATION (CIBCR)	47	8.5	20.5	14.5	14.1	OCT
54. CONSUMER PRICE INDEX, ALL URBAN CONSUMERS	48	4.8	32.4	18.6	12.7	NOV
56. INDUSTRIAL MATERIALS PRICE INDEX	48	6.0	30.7	18.3	-1.6	NOV
VI. Money, Credit, Interest Rates and Stock Prices						
67. STOCK PRICE INDEX (S&P 500)	48	39.9	20.8	30.4	79.1	NOV

TABLE 3

RECESSION-RECOVERY STATUS UP TO 48 MONTHS AFTER THE BUSINESS CYCLE TROUGH
Differences from Trough Levels

		Unit	Months After Business Cycle Trough	Expansions Starting FEB. 1961	Expansions Starting MAR. 1975	Average (1961, 1975)	Current Expansion Starting Nov. 1982	Last Month or Quarter Available
I.	Composite Indexes							
6.	BUSINESS WEEK LEADING INDEX, GROWTH RATE	%	48	-1.8	11.3	4.7	8.0	NOV
6A.	N.A.P.M. INDEX, GROWTH RATE	%	48	9.1	24.4	16.7	6.9	NOV
7.	LEADING EMPLOYMENT INDEX, GROWTH RATE	%	48	9.4	13.5	11.4	3.7	NOV
8.	COINCIDENT EMPLOYMENT INDEX, GROWTH RATE	%	48	15.1	24.0	19.6	12.1	NOV
9.	LEADING INDEX, GROWTH RATE.	%	48	6.0	16.8	11.4	1.4	NOV
10.	COINCIDENT INDEX, GROWTH RATE	%	48	15.7	21.8	18.7	8.7	NOV
11.	DIFFUSION INDEX OF LEADING INDICATORS	% RISING	48	37.3	51.3	44.3	25.7	NOV
13.	RATIO, COINCIDENT TO LAGGING INDEX	1967=100	48	10.3	30.6	20.5	12.0	NOV
15.	EIGHT-COUNTRY LEADING INDEX, GROWTH RATE	%	46	-3.5	18.7	7.6	6.3	SEPT
II.	Output, Income and Sales							
17.	REAL GNP GROWTH RATE	%	15Q	2.9	11.0	6.9	3.3	Q3
III.	Employment and Unemployment							
23.	EMPLOYMENT TO POPULATION RATIO	%	48	0.1	3.9	2.0	3.5	NOV
28.	EMPLOYMENT DIFFUSION INDEX, 186 INDUS.	% RISING	48	61.7	60.1	60.9	34.4	NOV
29.	UNEMPL. SEVERITY INDEX	WEEKS PER 100 IN LABOR FORCE	48	-29.8	-33.4	-31.6	-83.1	NOV
30.	UNEMPLOYMENT RATE: TOTAL	%	48	-1.7	-2.5	-2.1	-3.6	NOV
31.	UNEMPLOYMENT RATE: INSURED	%	48	-3.0	-3.2	-3.1	-2.3	NOV
33.	SHORT-DURATION UNEMPLOYMENT RATE	%	48	-1.0	-1.5	-1.2	-1.5	NOV
34.	LAYOFF RATE UNDER 5 WEEKS (TIMES 10)	%	48	-3.1	-4.2	-3.7	-4.2	NOV
35.	PART-TIME EMPLOYMENT RATIO	%	48	1.5	0.9	1.2	0.6	NOV
IV.	Investment Commitments and Inventories							
42.	INVENTORY/SALES RATIO (TIMES 10)	%	46	-1.4	-1.6	-1.5	-2.2	SEPT
43.	CHANGE IN INVENTORIES ON HAND & ON ORDER	BIL. 82$.	46	60.6	119.9	90.3	32.8	SEPT
V.	Productivity, Wages, Costs, Prices and Profits							
44.	OUTPUT PER HOUR, GROWTH RATE	%	15Q	0.6	1.3	0.9	-0.3	Q3
45.	UNIT LABOR COSTS, GROWTH RATE	%	15Q	0.3	-3.4	-1.5	-3.4	Q3
46.	HOURLY COMPENSATION, GROWTH RATE	%	15Q	0.8	-2.4	-0.8	-3.9	Q3
47.	REAL HOURLY COMPENSATION, GROWTH RATE	%	15Q	1.0	-0.5	0.2	-0.9	Q3
48.	SELLING PRICE INDEX, GROWTH RATE	%	15Q	1.6	-5.3	-1.8	-2.0	Q3
49.	GROWTH IN PRICES MINUS GROWTH IN COSTS	% POINTS	15Q	1.3	-1.9	-0.3	1.4	Q3
50.	CORPORATE PROFIT MARGIN	%	15Q	3.0	2.5	2.8	4.5	Q3
51.	PRICE/LABOR COST RATIO	1977=100	15Q	3.8	2.2	3.0	3.7	Q3
55.	CONSUMER PRICE INDEX, GROWTH RATE	%	48	-0.1	0.7	0.3	-2.4	NOV
57.	INDUSTRIAL MAT. PRICE INDEX, GROWTH RATE	%	48	8.1	35.4	21.8	9.0	NOV
58.	IMPORT PRICES EXCL. FUELS, GROWTH RATE	%	46	3.6	-4.4	-0.4	11.6	Q3(SEPT)
59.	ANTICIPATED SELLING PRICES (D&B SURVEY)	% RISING	46	4.0	13.3	8.7	-6.7	Q3(SEPT)
VI.	Money, Credit, Interest Rates and Stock Prices							
60.	BUSINESS & CONSUMER DEBT, GROWTH RATE	%	47	4.2	9.0	6.6	5.9	OCT
61.	FEDERAL DEBT, GROWTH RATE	%	48	2.7	-5.7	-1.5	-4.7	NOV
62.	TOTAL DEBT, GROWTH RATE	%	47	4.3	5.4	4.8	3.3	OCT
63.	MONEY SUPPLY (M1), GROWTH RATE	%	48	2.6	3.1	2.9	6.8	NOV
64.	MONEY SUPPLY (M2), GROWTH RATE	%	48	1.9	0.2	1.1	-0.1	NOV
65.	TREASURY BILL RATE (3-MONTH)	%	48	1.6	3.9	2.8	-2.6	NOV
66.	NEW CORPORATE BOND YIELD (AA)	%	48	0.0	0.3	0.1	-3.2	NOV

RECESSION-RECOVERY CHARTS

———— Current recovery to date (business cycle trough: November 1982 or IV Q 1982)

Average of two very long recoveries (1961-69, 1975-80)

How to Read the Charts

The charts show how the current recovery, dated from November 1982, compares with the average previous recovery over the same length of time. They also show how the average previous recovery developed beyond the present point, and hence what a forecast based on that average would look like. Forecasts based upon other information can be evaluated against this background. One can see easily where new figures or forecasts would be placed.

The horizontal time scale in each chart shows the number of months before (-) or after (+) the business cycle trough (0). For the current cycle November 1982 is zero, May 1983 is Month 6, etc. The vertical scale on the left side of most charts is an index with the three-month average centered on the business cycle trough date equal to 100. This three-month average is called the trough standing. For the current cycle, the figures plotted are indexes with the October to December 1982 average equal to 100. Each of the previous cycles are converted to indexes in the same way, and then the corresponding months are averaged for the two very long cycles, 1961-80. Quarterly series (e.g., GNP) are treated in the same way as monthly except that quarterly business cycle trough dates are used and each quarter is plotted as a horizontal line for three months.

When the figures are percentages, ratios or changes (e.g., the unemployment rate or GNP growth rate, employment to population ratio, or change in inventories), the charts show actual levels of the data, rather than deviations from trough standings.

On all charts the right-hand scale applies to the current cycle. This scale shows how the averages for previous recoveries translate to current levels. The November 1982 trough standing for the current cycle is shown at the bottom of the chart for reference.

The averages, which extend out to four years after the trough, include the 1961-69 and 1975-80 recoveries, which lasted 106 and 58 months, respectively. The 1949-53, 1954-57, 1958-60, 1970-73 and 1980-81 recoveries, which lasted 45, 39, 24, 36 and 12 months respectively, are excluded to avoid including the subsequent recessions in the averages.

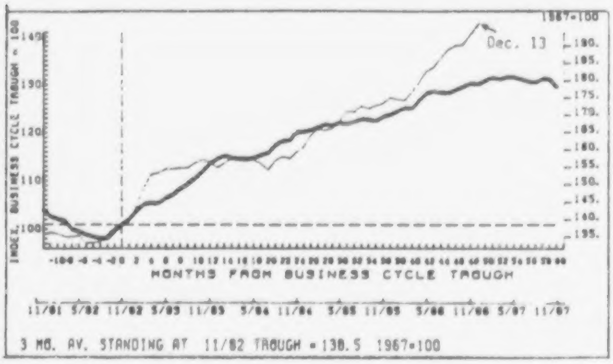
All the growth rates shown are six-month smoothed rates (or two-quarter smoothed), obtained by dividing the current month's figure by the average for the twelve preceding months, and expressing the result as a compound annual rate.

Data in some charts are a month or a quarter more up-to-date than in the preceding three tables.

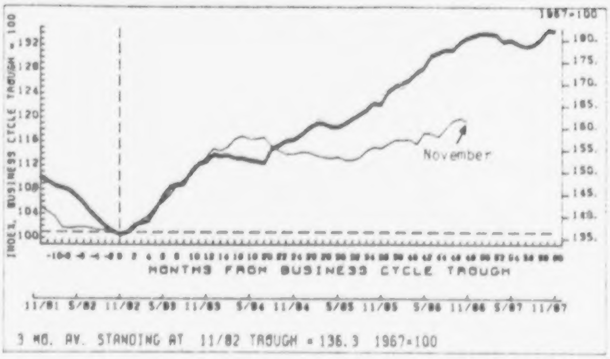
In the charts, growth rate is abbreviated to "G.R."

COMPOSITE INDEXES

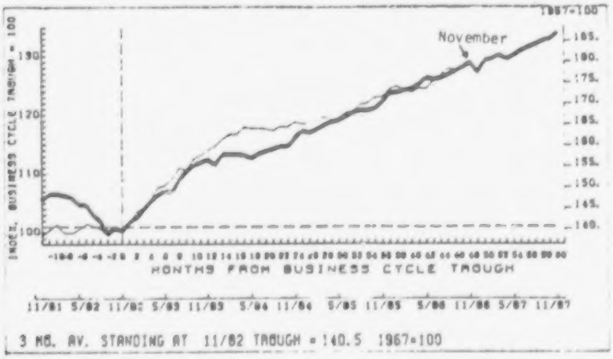
1. BUSINESS WEEK LEADING INDEX (CIBCR)



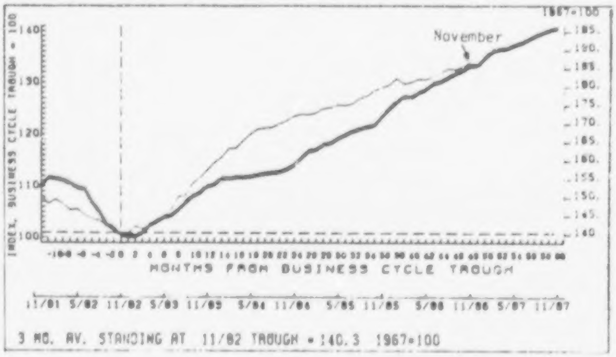
1A. N. A. P. M. LEADING INDEX



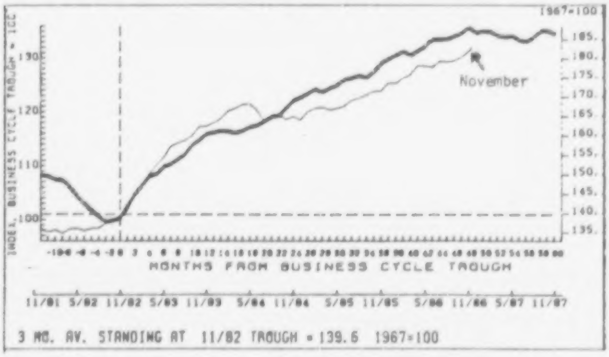
2. LEADING EMPLOYMENT INDEX (CIBCR)



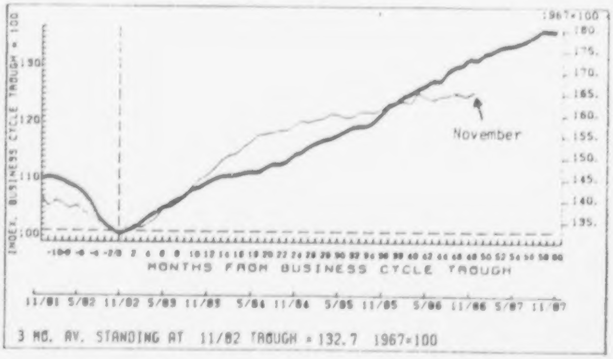
3. COINCIDENT EMPLOYMENT INDEX (CIBCR)



4. LEADING INDEX (BCD)

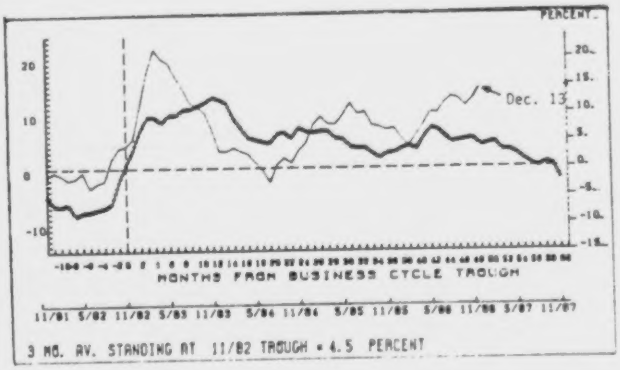


5. COINCIDENT INDEX (BCD)



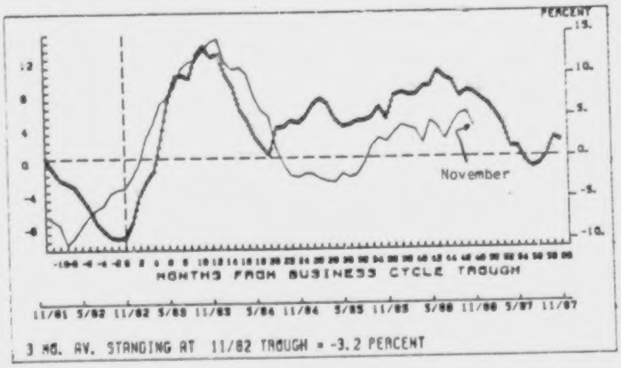
COMPOSITE INDEX GROWTH RATES

6. BUSINESS WEEK LEADING INDEX, G. R.



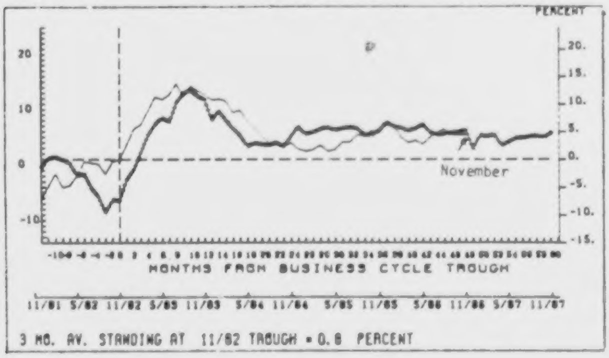
3 MO. AV. STANDING AT 11/82 TROUGH = 4.5 PERCENT

6A. N. A. P. M. LEADING INDEX, G. R.



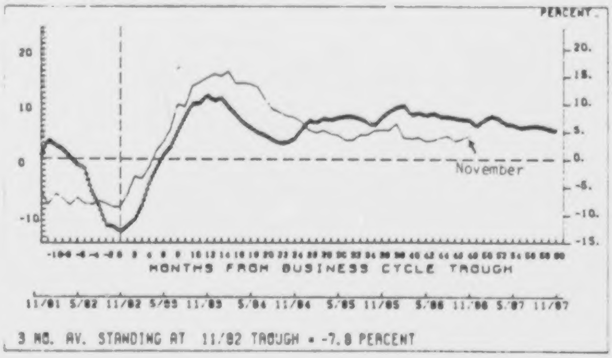
3 MO. AV. STANDING AT 11/82 TROUGH = -3.2 PERCENT

7. LEADING EMPLOYMENT INDEX, G. R.



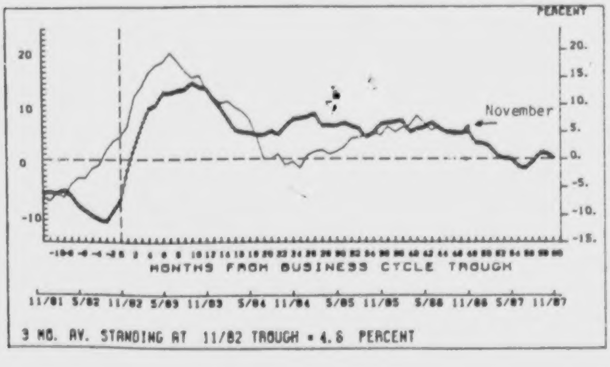
3 MO. AV. STANDING AT 11/82 TROUGH = 0.8 PERCENT

8. COINCIDENT EMPLOYMENT INDEX, G. R.



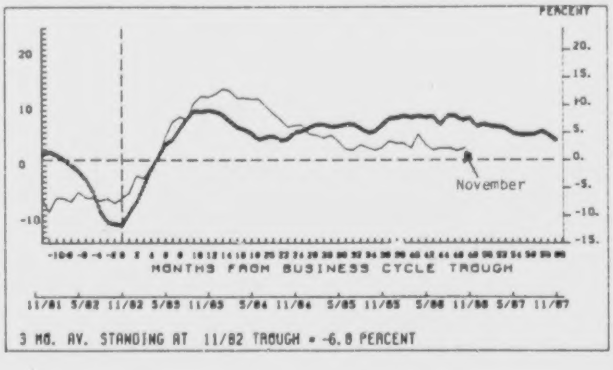
3 MO. AV. STANDING AT 11/82 TROUGH = -7.8 PERCENT

9. LEADING INDEX, G. R. (BCD)



3 MO. AV. STANDING AT 11/82 TROUGH = 4.6 PERCENT

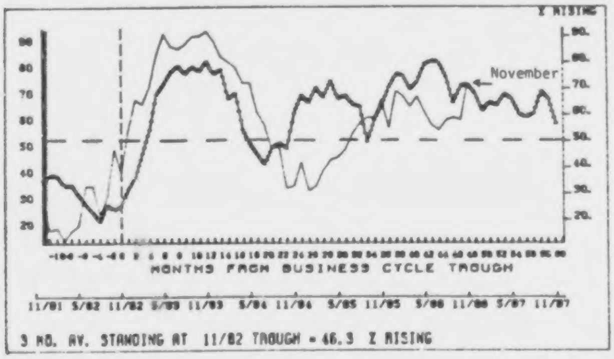
10. COINCIDENT INDEX, G. R. (BCD)



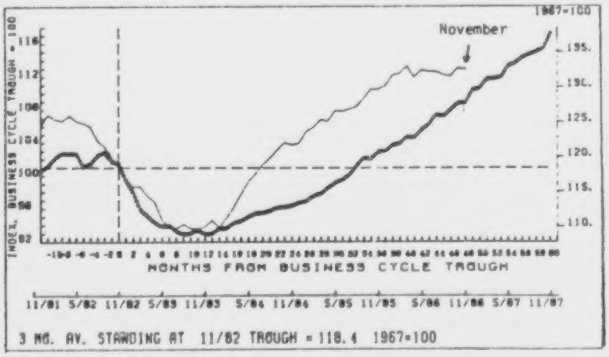
3 MO. AV. STANDING AT 11/82 TROUGH = -6.8 PERCENT

OTHER COMPOSITE INDEXES

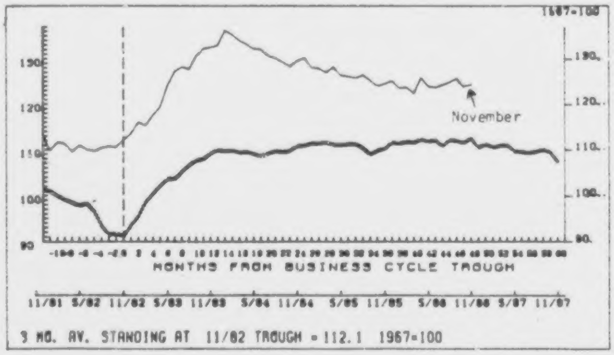
11. DIFFUSION INDEX OF LEADING INDICATORS (CIBCR)



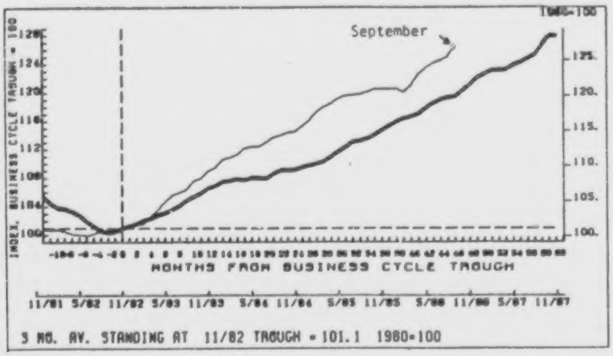
12. LAGGING INDEX (BCD)



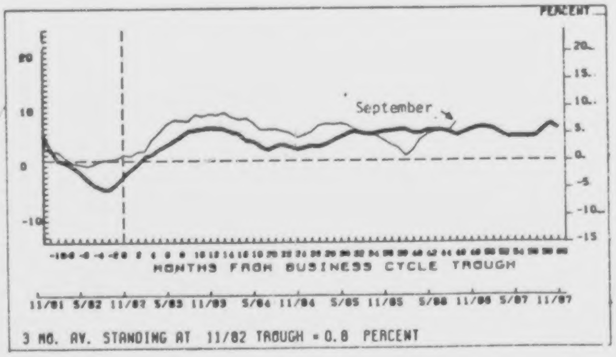
13. RATIO, COINC. TO LAGGING INDEX



14. 8-COUNTRY LEADING INDEX (CIBCR)*



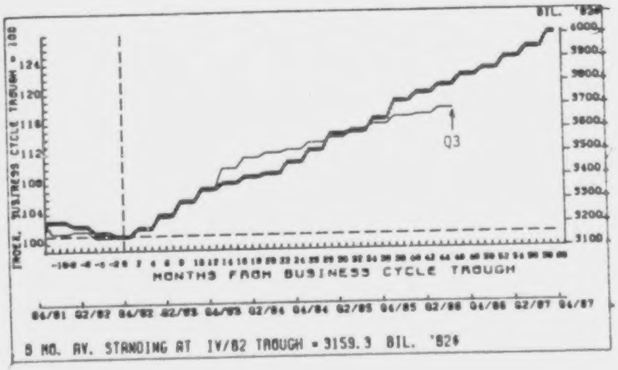
15. EIGHT-COUNTRY LEADING INDEX, G. R.



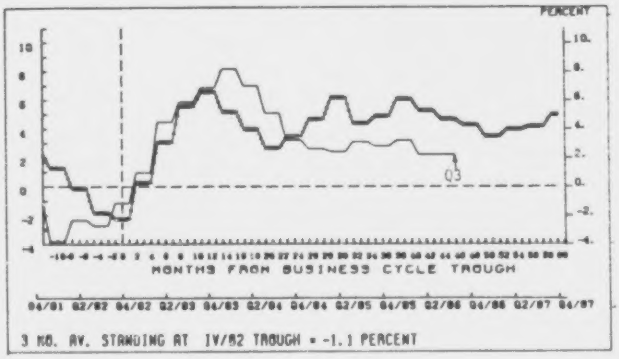
*Canada, United Kingdom, West Germany, France, Italy, Japan, Australia & Taiwan.

OUTPUT, INCOME AND SALES

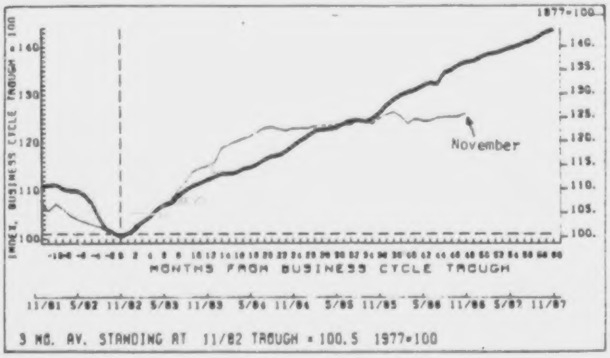
16. REAL GNP



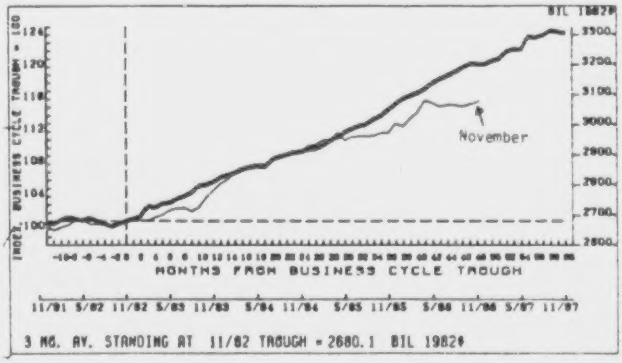
17. REAL GNP, GROWTH RATE



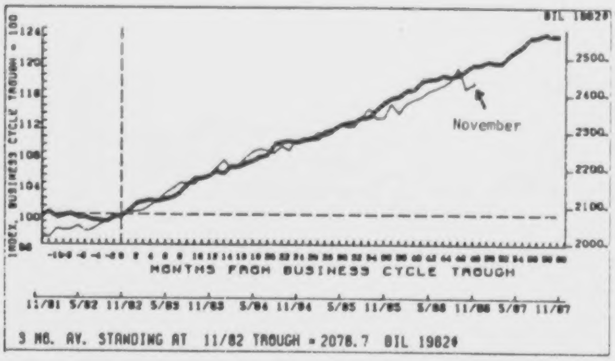
18. INDUSTRIAL PRODUCTION INDEX



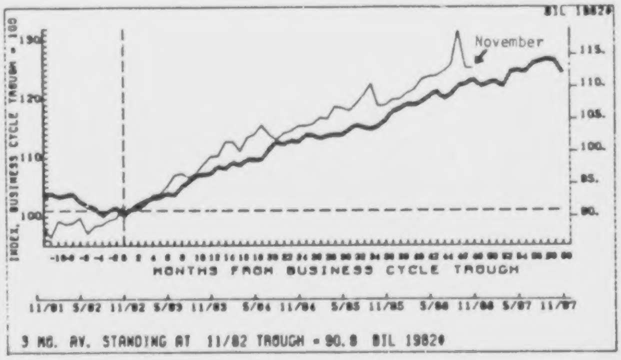
19. REAL PERSONAL INCOME



20. REAL CONSUMER EXPENDITURES

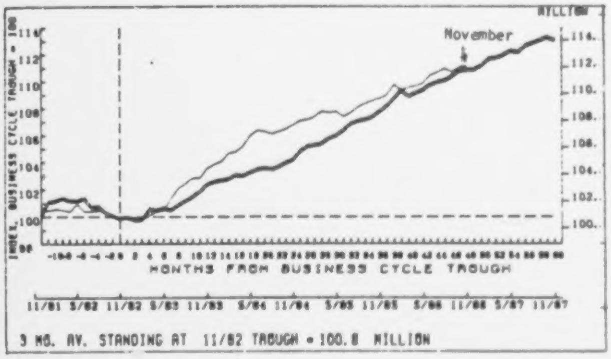


21. REAL RETAIL SALES

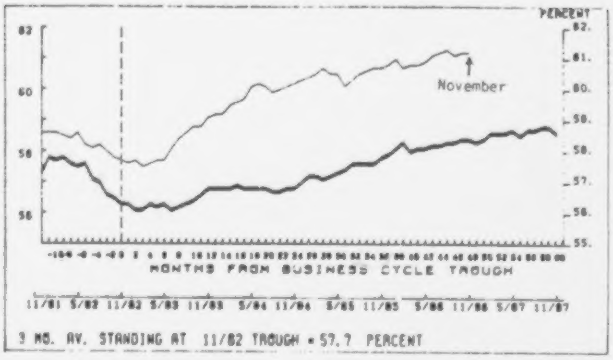


EMPLOYMENT

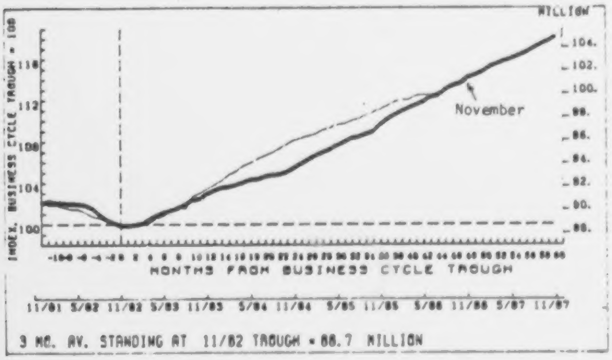
22. TOTAL EMPLOYMENT



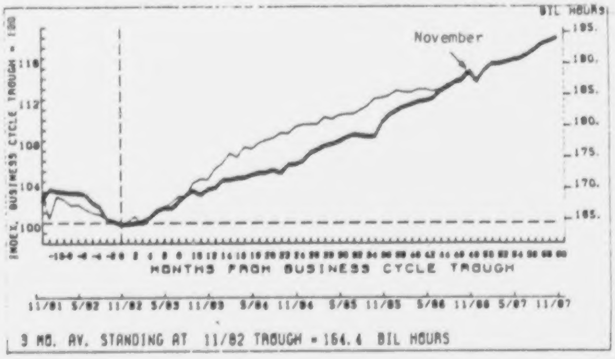
23. EMPLOYMENT TO POPULATION RATIO



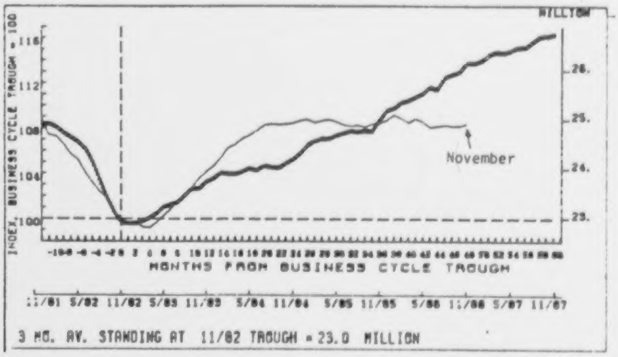
24. NONFARM EMPLOYMENT



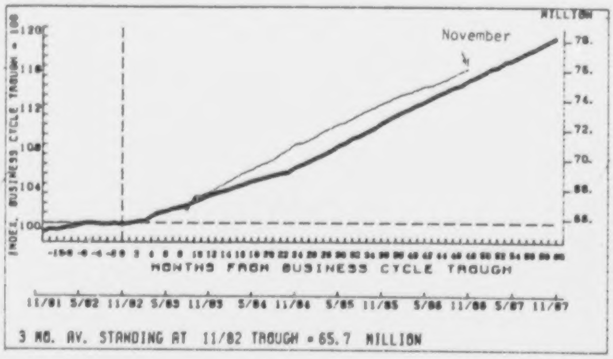
25. NONFARM EMPLOYEE HOURS



26. EMPLOYMENT IN GOODS-PROD. INDUS.

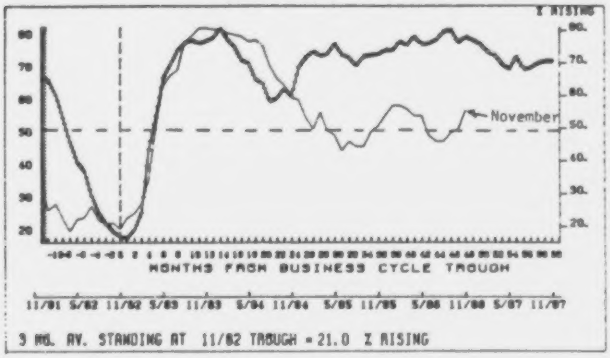


27. EMPLOYMENT IN SERVICE-PROD. INDUS.



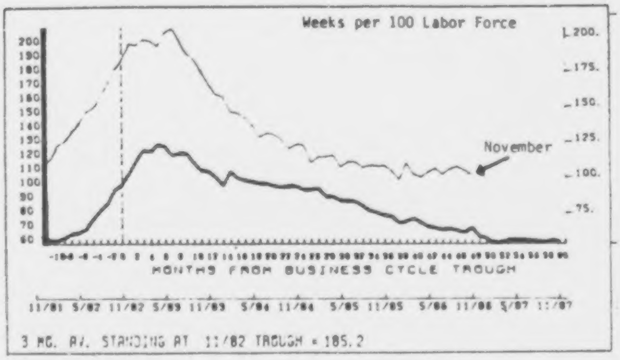
UNEMPLOYMENT

28. EMPLOY. DIFFUS. INDEX, 186 INDUS.



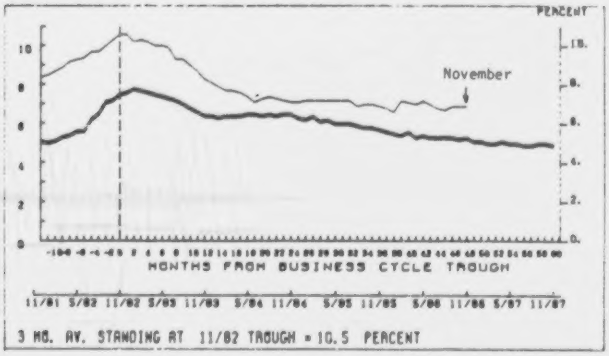
3 MO. AV. STANDING AT 11/82 TROUGH = 21.0 % RISING

29. UNEMPLOYMENT SEVERITY INDEX



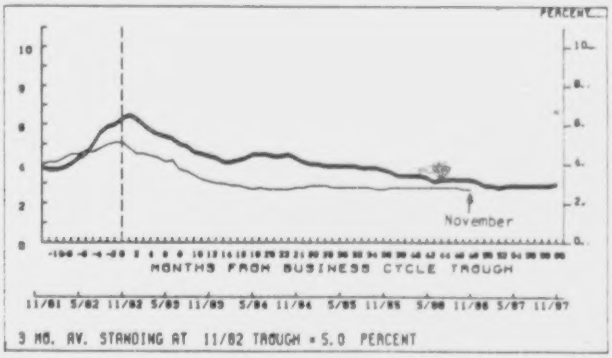
3 MO. AV. STANDING AT 11/82 TROUGH = 185.2

30. UNEMPLOYMENT RATE: TOTAL



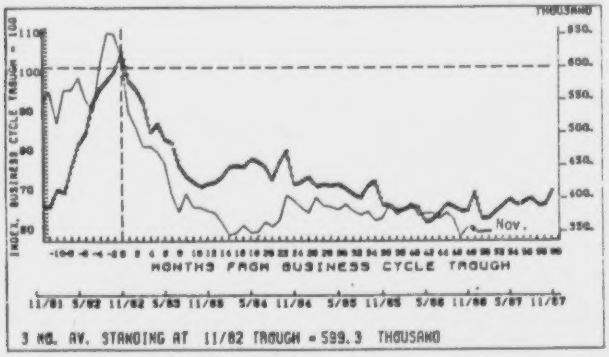
3 MO. AV. STANDING AT 11/82 TROUGH = 10.5 PERCENT

31. UNEMPLOYMENT RATE: INSURED



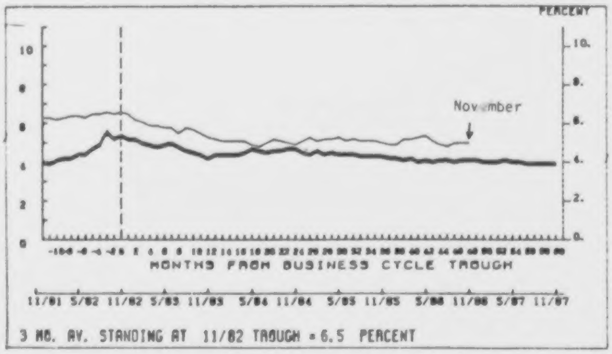
3 MO. AV. STANDING AT 11/82 TROUGH = 5.0 PERCENT

32. INITIAL CLAIMS, UNEMPLOY. INSUR.



3 MO. AV. STANDING AT 11/82 TROUGH = 599.3 THOUSAND

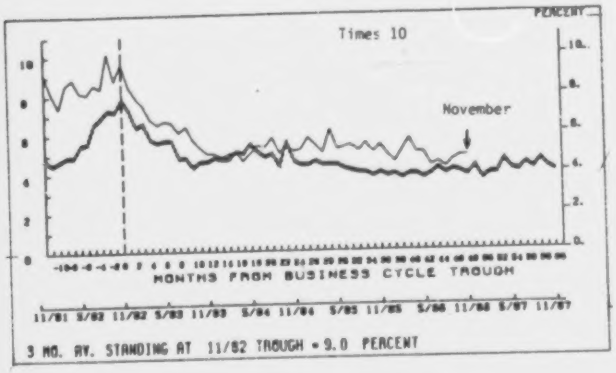
33. SHORT-DUR. UNEMPLOYMENT RATE



3 MO. AV. STANDING AT 11/82 TROUGH = 6.5 PERCENT

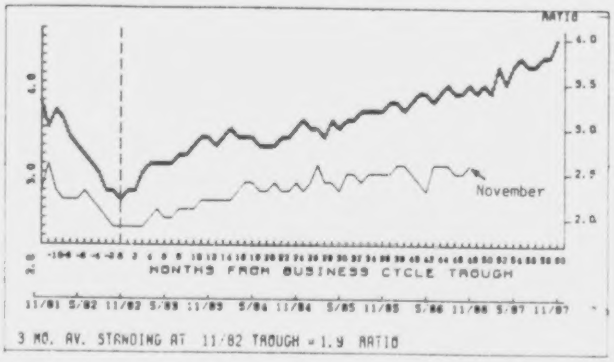
OTHER LEADING EMPLOYMENT INDICATORS

34. LAYOFF RATE UNDER 5 WEEKS



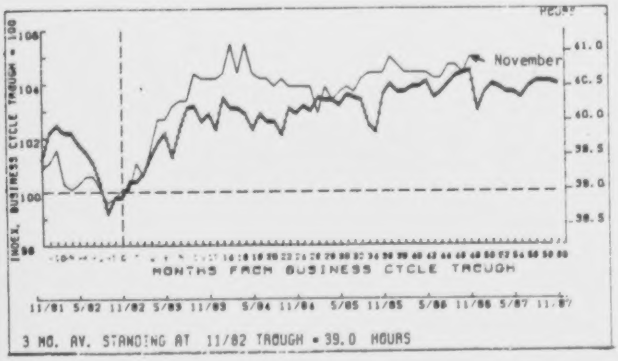
3 MO. AV. STANDING AT 11/82 TROUGH = 9.0 PERCENT

35. VOL. TO INVOL. PART-TIME EMPL. RATIO



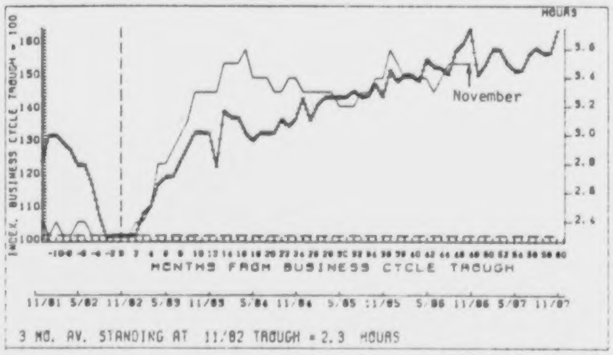
3 MO. AV. STANDING AT 11/82 TROUGH = 1.9 RATIO

36. AVERAGE WORKWEEK, MFG.



3 MO. AV. STANDING AT 11/82 TROUGH = 39.0 HOURS

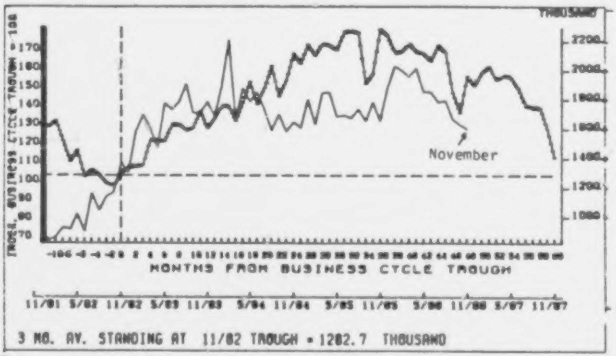
37. OVERTIME HOURS, MFG.



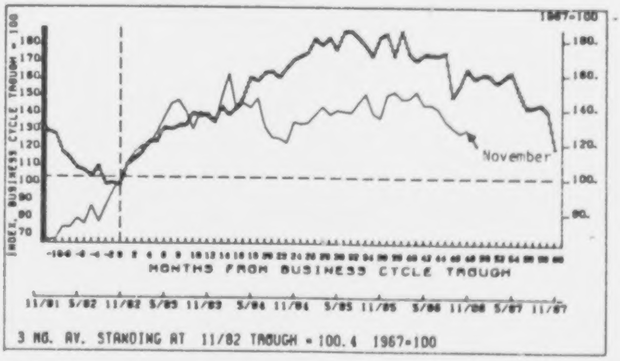
3 MO. AV. STANDING AT 11/82 TROUGH = 2.3 HOURS

INVESTMENT COMMITMENTS AND INVENTORIES

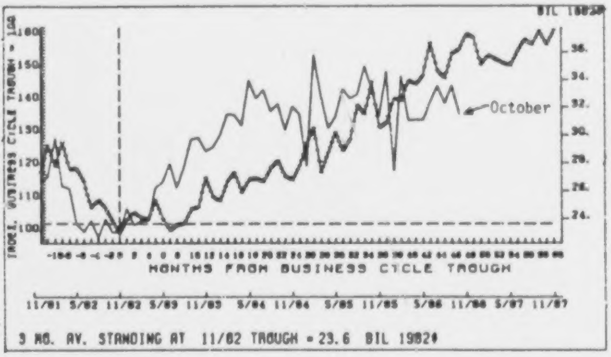
38. NEW PRIVATE HOUSING STARTS



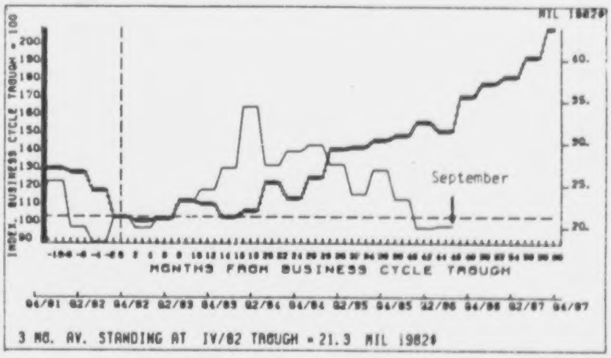
39. NEW PRIVATE HOUSING PERMITS



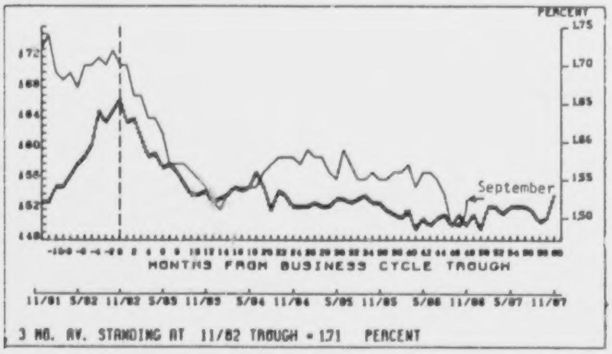
40. CONTRACTS & ORDERS, PLANT & EQUIP.



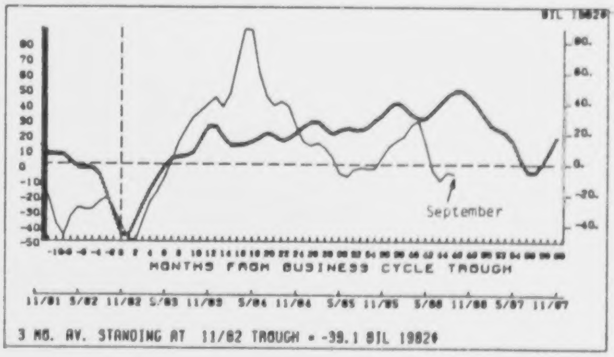
41. NEW CAPITAL APPROPRIATIONS, MFG.



42. INV./SALES RATIO, MFG. AND TRADE

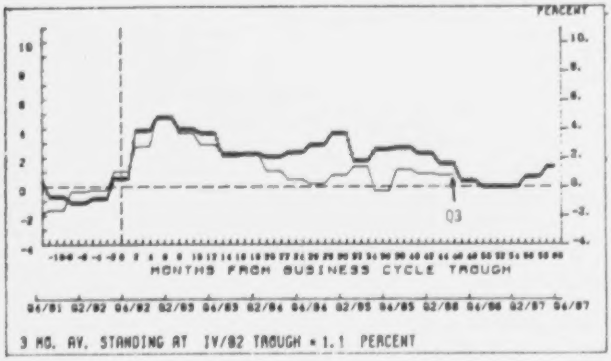


43. CHANGE IN INV. ON HAND & ON ORDER



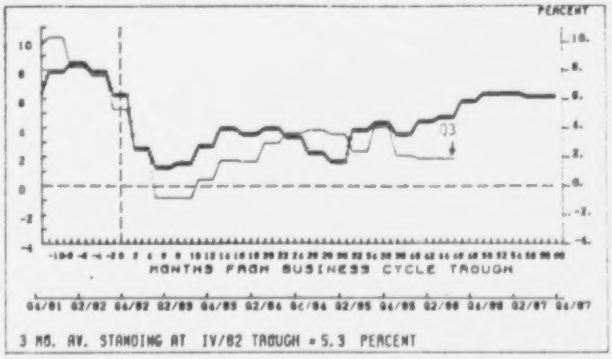
PRODUCTIVITY, WAGES, COSTS, PRICES AND PROFITS

44. OUTPUT PER HOUR, G. R.



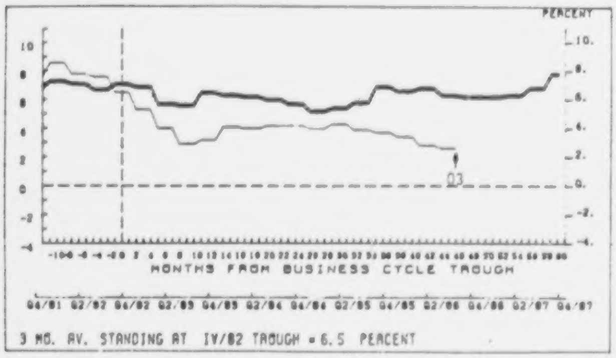
3 MO. AV. STANDING AT IV/82 TROUGH = 1.1 PERCENT

45. UNIT LABOR COSTS, G. R.



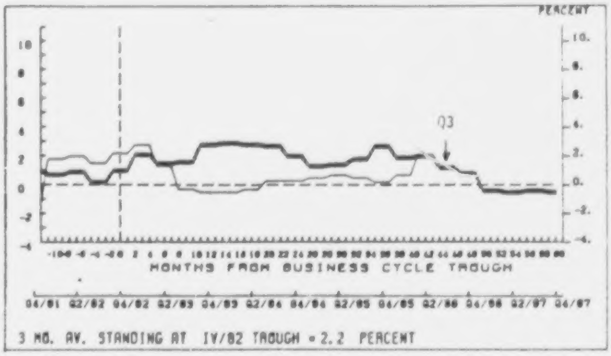
3 MO. AV. STANDING AT IV/82 TROUGH = 5.3 PERCENT

46. HOURLY COMPENSATION, G. R.



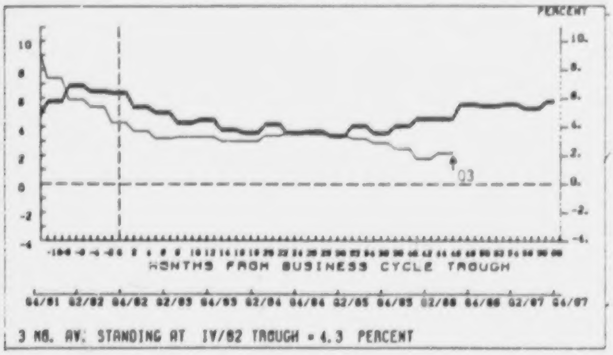
3 MO. AV. STANDING AT IV/82 TROUGH = 6.5 PERCENT

47. REAL HOURLY COMPENSATION, G. R.



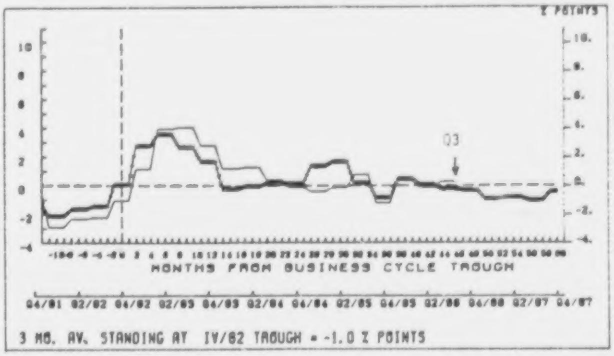
3 MO. AV. STANDING AT IV/82 TROUGH = 2.2 PERCENT

48. SELLING PRICE INDEX, G. R.



3 MO. AV. STANDING AT IV/82 TROUGH = 4.3 PERCENT

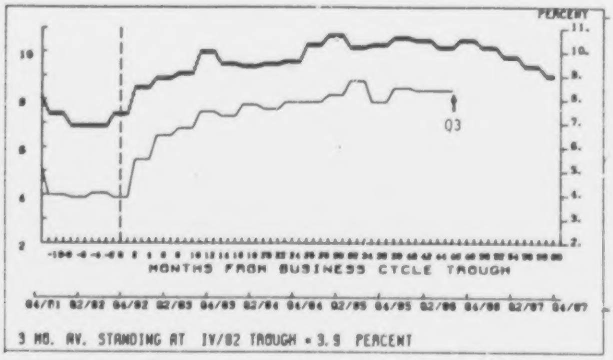
49. G. R. IN PRICES MINUS G. R. IN COSTS



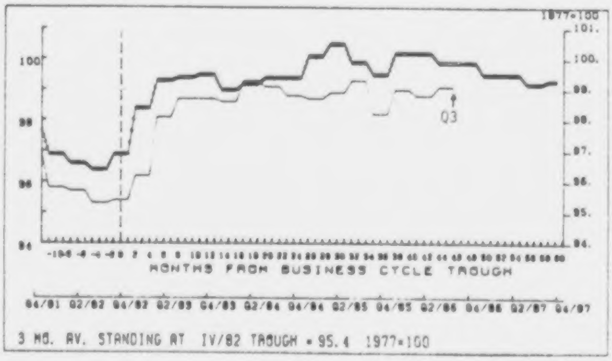
3 MO. AV. STANDING AT IV/82 TROUGH = -1.0 % POINTS

PRODUCTIVITY, WAGES, COSTS, PRICES AND PROFITS, cont.

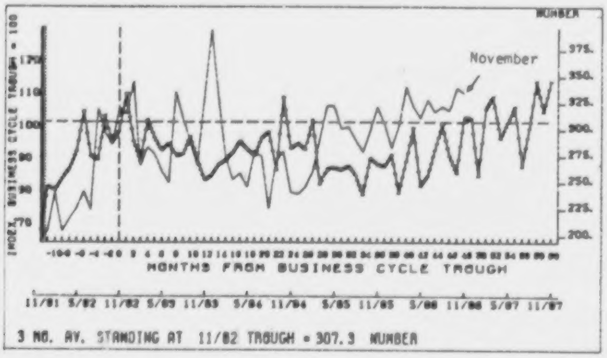
50. CORPORATE PROFIT MARGIN



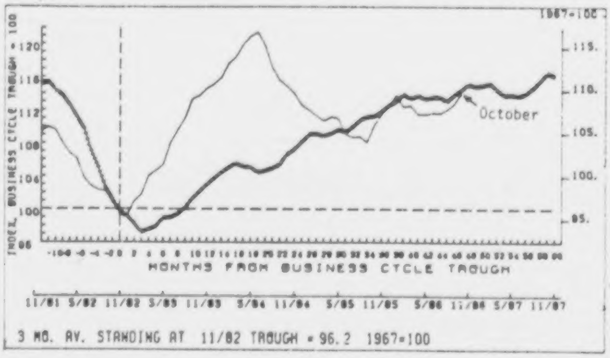
51. PRICE/LABOR COST RATIO



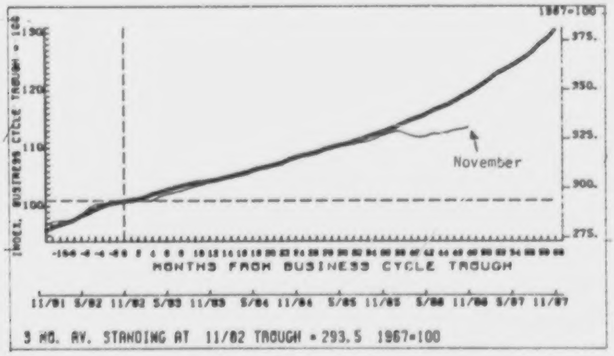
52. LARGE BUSINESS FAILURES



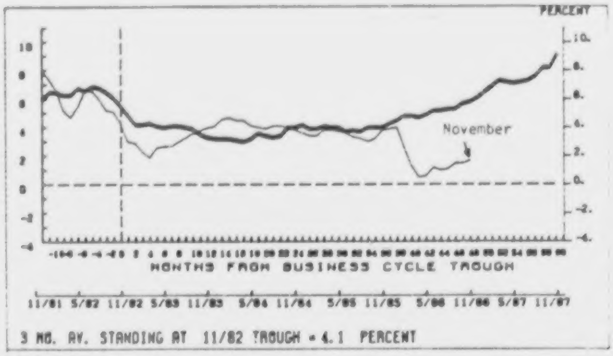
53. LEADING INDEX OF INFLATION (CIBCR)



54. CONSUMER PRICE INDEX

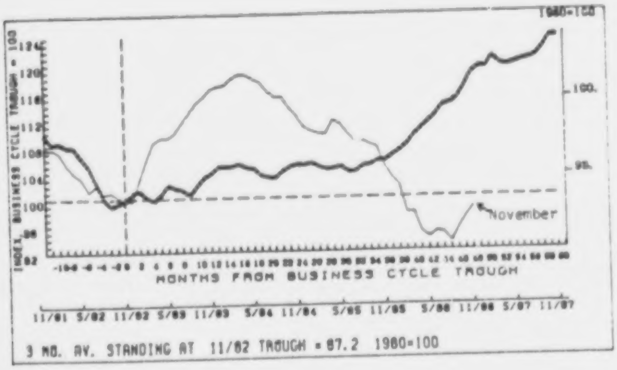


55. CONSUMER PRICE INDEX, G.R.

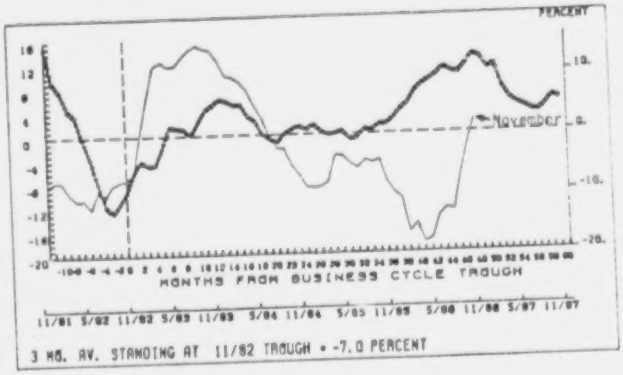


PRODUCTIVITY, WAGES, COSTS, PRICES AND PROFITS, cont.

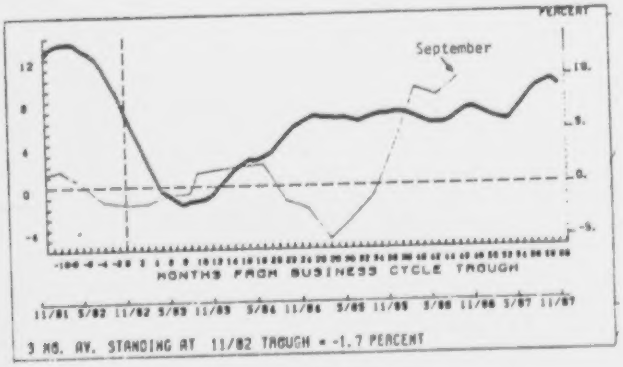
56. INDUSTRIAL MATERIALS PRICE INDEX



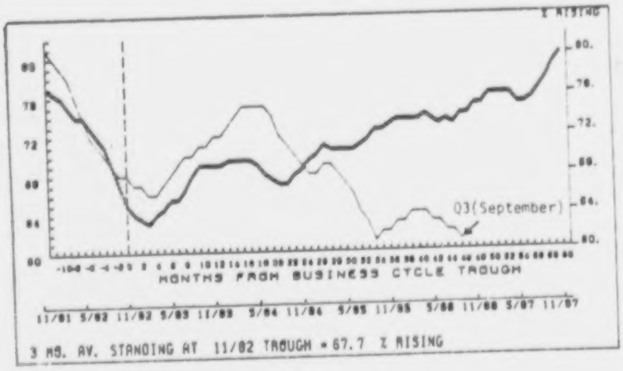
57. INDUS. MATERIALS PRICE INDEX, G. R.



58. IMPORT PRICE INDEX (EXCLUDING FUELS), G. R.

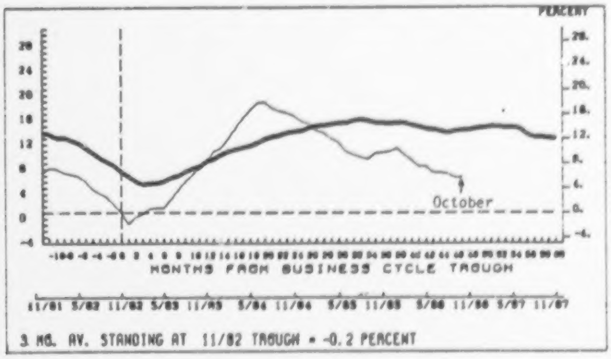


59. BUSINESSMEN'S ANTICPATED SELLING PRICES (SURVEY)

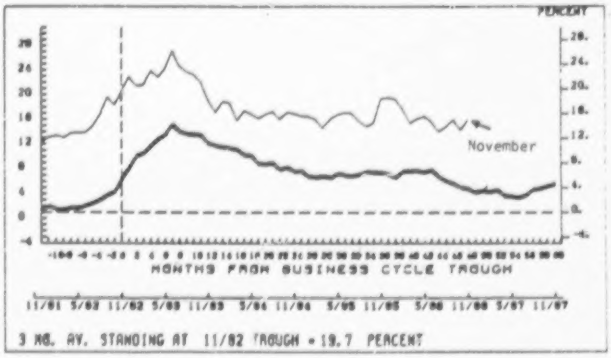


MONEY, CREDIT, INTEREST RATES AND STOCK PRICES

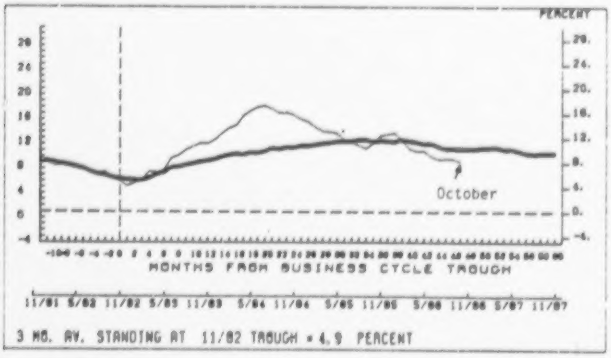
60. BUSINESS & CONSUMER DEBT, G. R.



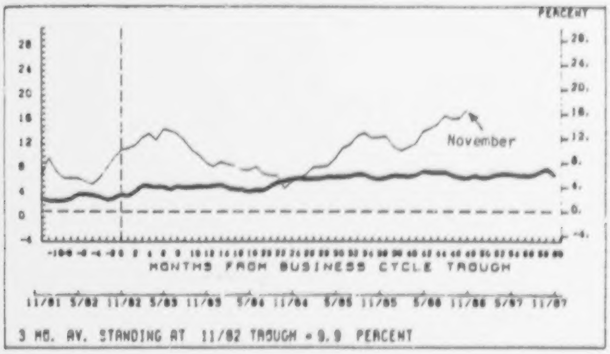
61. FEDERAL DEBT, G. R.



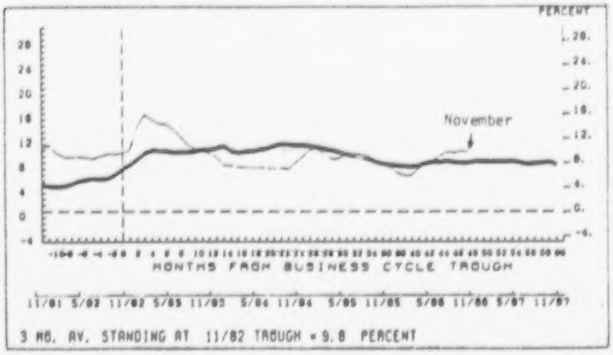
62. TOTAL DEBT, G. R.



63. MONEY SUPPLY (M1), G. R.

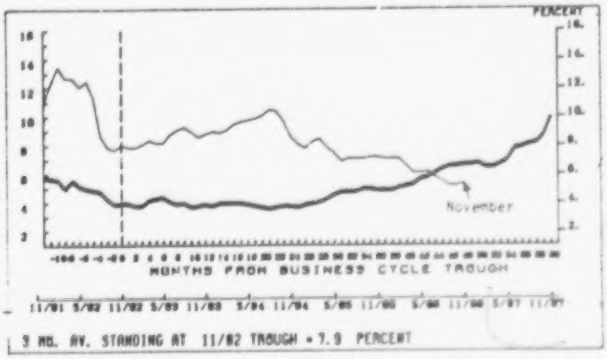


64. MONEY SUPPLY (M2), G. R.



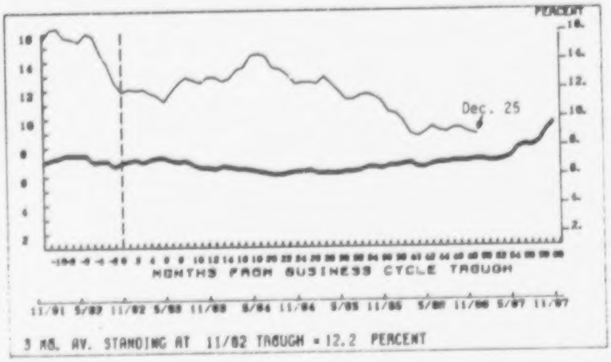
MONEY CREDIT, INTEREST RATES AND STOCK PRICES, cont.

65. TREASURY BILL RATE (3-MONTH)



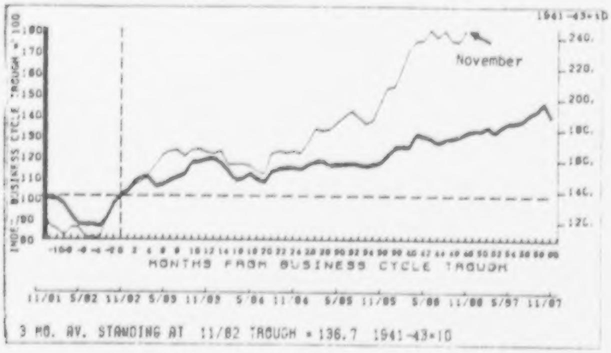
3 MO. AV. STANDING AT 11/82 TROUGH = 7.9 PERCENT

66. NEW CORPORATE BOND YIELD (AA)



3 MO. AV. STANDING AT 11/82 TROUGH = 12.2 PERCENT

67. COMMON STOCK PRICE INDEX (S&P 500)



3 MO. AV. STANDING AT 11/82 TROUGH = 136.7 1941-43=10

ABOUT THE CENTER FOR INTERNATIONAL BUSINESS CYCLE RESEARCH

The Center for International Business Cycle Research (CIBCR), established in 1979, specializes in the study of trends and fluctuations in economic growth and inflation in the United States and other countries. The analysis contained in this report is the result of its ongoing research programs on U.S. business cycles. Readers are invited to submit comments and suggestions concerning this publication. In addition, readers wishing to secure data compiled by the Center on the eight other major industrial countries or copies of research reports may do so by communicating with:

Center for International Business Cycle Research
323 Uris Hall, Columbia University
New York, NY 10027
Telephone: (212) 280-2916

ABOUT THIS REPORT

RECESSION-RECOVERY WATCH is a bimonthly report designed to analyze current business cycle trends in terms of previous recession or recovery patterns in the United States.

This report was begun in August 1979, under the direction of Dr. Geoffrey H. Moore, following the methodology for measuring recessions developed at the National Bureau of Economic Research. Although no forecasts are made, the materials in this report do permit glimpses into the future: first by analyzing the behavior of various leading indicators; second, by indicating what is likely to happen in terms of what did happen in previous recessions and recoveries.

The leading indicators used in this report are relevant to future output and employment because they represent actions taken, like the placing of orders, that will result in future output, or because they reflect factors, like profits, that influence future decisions on output. The record of what happens during the latter stages of business cycles is relevant because of the family resemblance among successive cycles, a resemblance that has its origin in the processes by which business cycles are generated. Every business cycle has its own surprises, partly because of policy actions taken, but many developments are not surprising, having occurred many times before. The historical comparisons contained in this report help one anticipate what is typical and distinguish it from the unusual.

A 1986 Supplement to Recession-Recovery Watch contains a detailed set of tables analyzing the behavior of all the indicators in this report during each cycle from 1948 to 1985.

Other CIBCR publications include International Economic Indicators, a monthly 70-page data compilation on leading and coincident indicators for nine industrial countries. Monthly press releases are issued on a leading index of inflation and a leading employment index for the United States.

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RECESSION - RECOVERY WATCH

A Bimonthly Report
Designed to Assist in the Evaluation
of Current Business Conditions

Published by the Center for International Business Cycle Research,
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Dr. Geoffrey H. Moore
Director

Vol. 9, No. 1
February 1987

Summary

Signals of continued growth in the U.S. economy emanated from the leading indexes at the end of 1986 or early in 1987. The Business Week leading index, the leading employment index, and the Commerce Department's leading index all rose to new highs. The Center's leading inflation index also advanced in December, continuing an upswing that began in September 1985. Hence the outlook suggested by these indicators is for more growth as well as more inflation, an outlook consistent with the record of previous long expansions.

A major puzzle in the current recovery: why has employment in the service industries advanced so rapidly relative to its record in previous long recoveries whereas the output of services has not? We contrast this with a similar comparison for the goods-producing industries but have not found an answer.

A new index of the net change in the number of business enterprises, designed by the Center to replace the index being discontinued by the Commerce Department, reveals one element of weakness in the current recovery.

Employment and Output in Services

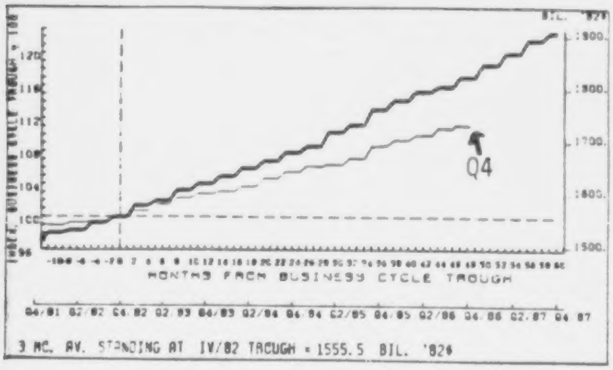
The faithful reader of Recession-Recovery Watch, who has studied Chart 27, is aware that the growth of employment in the service industries during this four-year-old recovery has exceeded its average growth during the two longest recoveries since the 1940's. But he is probably not aware that the output of services, as measured in real GNP, has not grown as rapidly in this recovery as in the previous two. That is revealed in Chart A. By contrast, the output of goods in the current recovery has nearly kept pace with its average growth in the two previous long recoveries, while employment in goods-production has fallen far short of the previous mark.

CHART A.

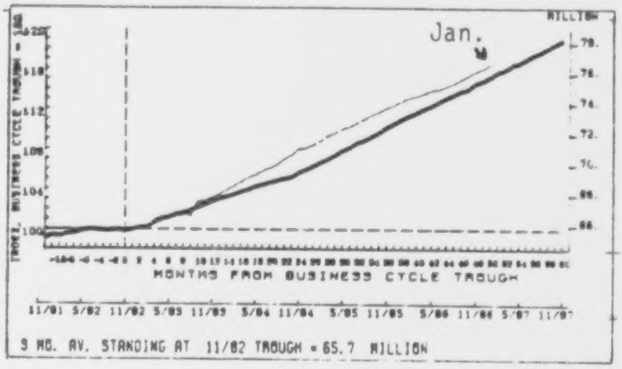
———— Current recovery to date (business cycle trough, Nov. 1982)

▬▬▬▬ Average, two long recoveries (1961-69, 1975-80)

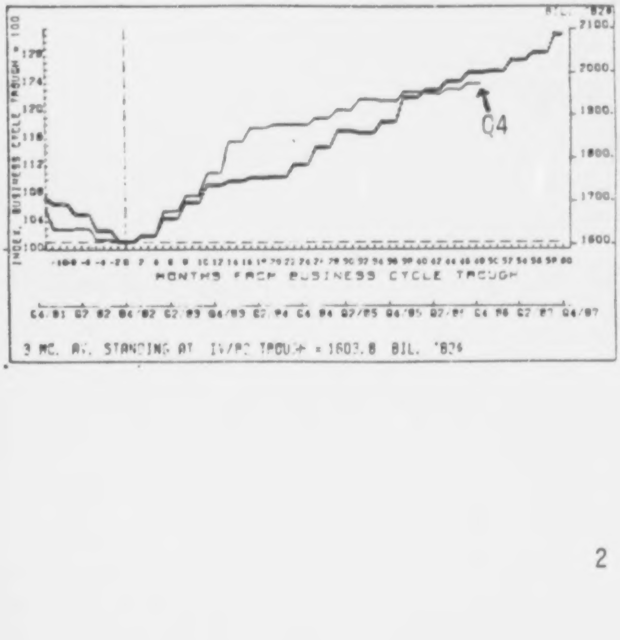
Output of Services, 1982$



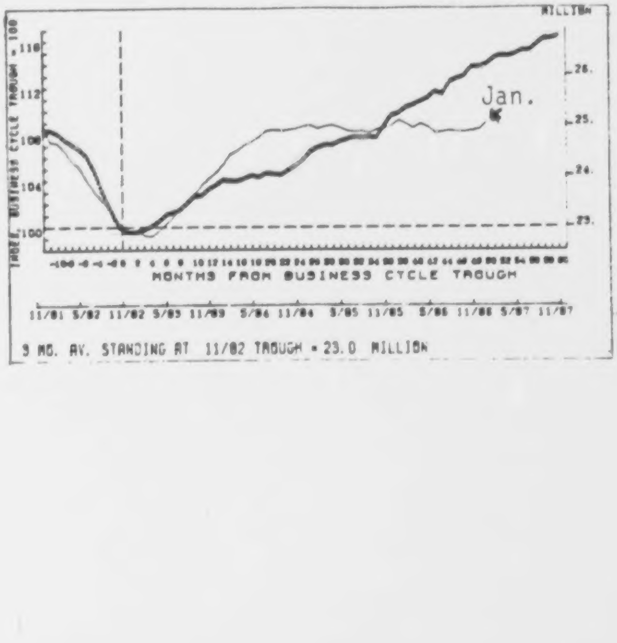
Employment in Service Industries



Output of Goods & Structures, 1982$



Employment in Goods-Producing Industries



As a result, whereas the rapid growth of employment in the service industries has enabled total employment in the current recovery to match its long-recovery record (see Charts 22 and 24), the output of services has not had a similar impact on total GNP. Employment and output can, of course, diverge for many reasons, including changes in hours, changes in productivity, lack of comparability between employment classified by industry and output classified by type of product, differences in overall coverage, and errors in measurement. We have explored some but by no means all of these avenues, but so far no clear-cut explanation has emerged.

A New Measure of Net Business Formation

Fluctuation in the births and deaths of business enterprises is a phenomenon of long standing in the history of business cycles. Statistics on new incorporations and on business failures were selected in one of the first lists of leading indicators, constructed in 1950. At that time they already had a long record of leading the turns in the business cycle, and they have continued to perform in substantially the same fashion since (see Recession-Recovery Watch, June 1986). Measures of business formation have been included in the Commerce Department's leading index since its inception. Recently, however, the existing series (BCD series 12) has run into problems. The new incorporations component is no longer available promptly because of delays in reporting by state agencies, and the component based upon new business telephones installed and disconnected is not as good a proxy as it was before the advent of so many telecommunications companies. For these reasons the Commerce Department recently announced that the index of net business formation would be dropped from the leading index.

In order not to lose this kind of information, which bears on the vitality of the economy, the confidence of businessmen, and the existence of new opportunities for employment, we have constructed a new index of net change in the business population. It is available promptly--indeed, on a weekly basis--and has a long record of leading business cycle turns. It is based upon two components, both compiled by Dun & Bradstreet, Inc. One is the newly established series on the number of new business starts, the other is the long established series on the number of business failures. Since business failures do not include all types of discontinuances and hence are not fully commensurate with business starts, we do not simply subtract failures from starts but rather treat each as a component of a composite index, with failures taken inversely. The Commerce Department's method of index construction is used except that no adjustment is made in the long-run trend in the index.

Since the business starts series begins only in 1985 we have linked new incorporations to it before then, so the historical record is based largely on new incorporations and business failures. The lead/lag record of the new index is shown in Table A,

TABLE A.

LEADS AND LAGS OF TWO INDEXES OF NET CHANGE IN BUSINESS POPULATION

------Lead (-) or Lag (+), in months------

Business Cycle		BEA Index (Series 12)		CIBCR Index[a]	
Peak	Trough	at Peak[b]	at trough	at Peak[b]	at trough
11/48		-10		-10	
	10/49		-3		-4
7/53		-10		-2	
	5/54		-2		-5
8/57		-26		-30	
	4/58		0		0
4/60		-13		-13	
	2/61		-1		-1
12/69		-8		-2	
	11/70		-3		-1
11/73		-8		-8	
	3/75		-1		-2
1/80		-15		-2	
	7/80		0		-1
7/81		-7		-4	
	11/82		-2		-2
Median, at					
Peaks		-10		-6	
Troughs			-2		-2
All turns		-5		-2	
Mean, at					
Peaks		-12		-9	
Troughs			-2		-2
All turns		-7		-5	
Percent leads, at					
Peaks		100		100	
Troughs			75		88
All turns		88		94	

---

[a] Based on number of new incorporations and number of business failures (treated invertedly).

[b] Index starts in January 1948 so peak may have been earlier.

together with that of the discontinued index. The results are similar. The new index led at all the business cycle peaks and all but one of the troughs, with an average lead of 9 months at peaks and 2 months at troughs. Downswings that did not match business recessions occurred in 1950-51, 1966-67 and 1983-84, when the economy encountered slowdowns. The new index is more erratic in its monthly movements than the discontinued index, but otherwise appears to be a worthy candidate to succeed it.

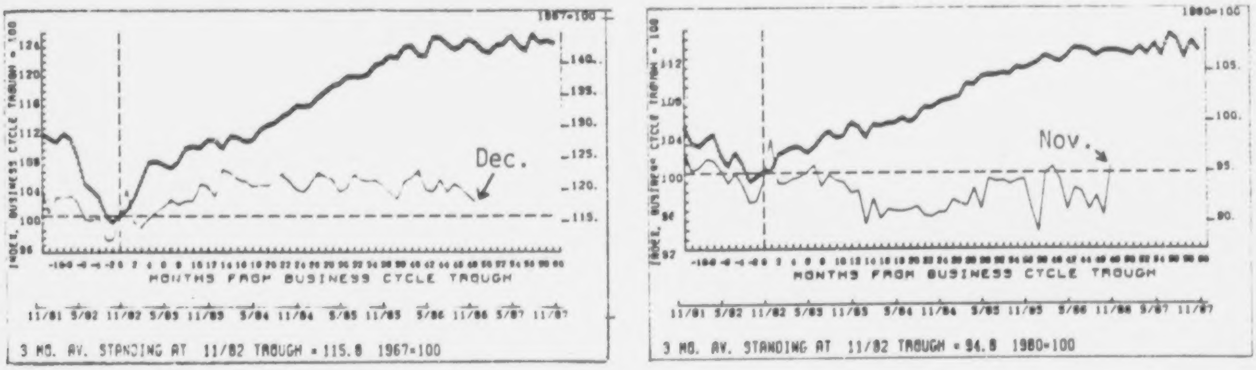
During the current economic recovery the new index of net change in business population has remained very weak (Chart B.) New incorporations and business starts have risen very slowly, and the number of failures has increased sharply. In the first four years of the two previous long recoveries the index advanced vigorously, though more so in 1975-79 than in 1961-65. Hence the net change in business population must be counted as one of the few leading indicators that is casting a somber light on business prospects. All the more reason why it should be closely watched.

CHART B.

RECOVERY PATTERNS: NET BUSINESS FORMATION

——— Current recovery to date (business cycle trough, Nov. 1982)

┼┼┼┼┼ Average, two long recoveries (1961-69, 1975-80)



Index of Net Business Formation, Commerce Department

Index of Change in Business Population, CIBCR

RECESSION-RECOVERY SERIES AND CHARTS

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The series numbers of indicators that are reported in Business Conditions Digest are noted above. Readers may wish to consult the 1984 Handbook of Cyclical Indicators for further information on particular time series. The letter symbols L, C, Lg and U identify the timing classification of the series with respect to business cycles, as shown in Business Conditions Digest. L = leading, C = coincident, Lg = lagging, and U = unclassified because of inconsistency in timing. The three letters in parentheses refer to peaks, troughs and to peaks and troughs, respectively. When the series we use is similar to but not identical with the BCD series, the BCD classification has been used. In the case of growth rates, we show the classification only where a similar growth rate for the same or similar series is classified in BCD.

A GUIDE TO RECESSION-RECOVERY WATCH TABLES

As readers of Recession-Recovery Watch know, the record of previous business cycle expansions provides a guide to the future prospects of the current expansion. The idea is, of course, incorporated in the Recession-Recovery Watch pattern charts and tables.

The tables cover more than sixty indicators and give the information needed to analyze the indicators from three viewpoints: the current expansion, two very long expansions since 1961, and the average of the two very long expansions. The two very long expansions are: 1961-69, (106 months) and 1975-80 (58 months). The expansions that are excluded from the averages covered the following periods: 1949-53, 45 months; 1954-57, 39 months; 1958-60, 24 months; 1970-73, 36 months; 1980-81, 12 months.

The figures show the most recent position of the indicator compared with its position the same number of months after the start of each of the previous expansions. That is, if the latest figure is for, say, November 1985, which is 36 months after the November 1982 business cycle trough, all the entries for that indicator will be for 36 months after the troughs of previous cycles.

Series that are expressed as growth rates, changes, or ratios appear as actual values (Table 1) and as differences from business cycle troughs standings (Table 3). All other series are expressed as percentages of business cycle trough standings (Table 2). The standing is a three month average centered on the trough month. In the case of quarterly series the trough standing is the figure for the business cycle trough quarter. The monthly and quarterly trough dates are those established by the National Bureau of Economic Research.

The tables pinpoint the most recent month available for each indicator, and compare it with the corresponding point in each of the previous expansions.

A more comprehensive set of tables, the 1986 Supplement, has also been constructed by the Center. It includes sixty-three indicators and covers each month of the three long expansions since 1948, starting 11 months before the trough and ending five years after the trough. The average recovery is also shown for each month of the six-year span. Hence, one can use the figures to construct charts, to update comparisons month by month, to analyze changes during the later years of expansion, or to compare forecasts for the current expansion with what happened in previous expansions.

To order the 100-page 1986 Supplement, send in the order form on the back cover.

TABLE 1

RECESSION-RECOVERY STATUS UP TO 50 MONTHS AFTER THE BUSINESS CYCLE TROUGH
Actual Levels

		UNIT	Months After Business cycle Trough	Expansions Starting Feb. 1961	Expansions Starting Mar. 1975	Average (1961, 1975)	Current Expansion Starting Nov. 1982	Last Month or Quarter Available
I.	Composite Indexes							
6.	BUSINESS WEEK LEADING INDEX, GROWTH RATE	%	50	5.4	3.3	4.3	24.8	JAN
6A.	N.A.P.M. INDEX, GROWTH RATE	%	50	9.0	3.9	6.4	6.2	JAN
7.	LEADING EMPLOYMENT INDEX, GROWTH RATE	%	50	5.5	3.5	4.5	4.9	JAN
8.	COINCIDENT EMPLOYMENT INDEX, GROWTH RATE	%	50	7.7	6.5	7.1	6.0	JAN
9.	LEADING INDEX, GROWTH RATE.	%	49	6.9	-0.9	3.0	8.8	DEC
10.	COINCIDENT INDEX, GROWTH RATE	%	49	9.4	2.8	6.1	2.8	DEC
11.	DIFFUSION INDEX OF LEADING INDICATORS	% RISING	50	72.0	51.0	61.5	78.1	JAN
13.	RATIO, COINCIDENT TO LAGGING INDEX	1967=100	49	98.4	122.5	110.5	124.1	DEC
15.	EIGHT-COUNTRY LEADING INDEX, GROWTH RATE	%	48	2.0	9.6	5.8	5.6	NOV
II.	Output, Income and Sales							
17.	REAL GNP GROWTH RATE	%	16Q	5.2	3.4	4.3	1.8	Q4
III.	Employment and Unemployment							
23.	EMPLOYMENT TO POPULATION RATIO	%	50	56.7	60.2	58.4	61.4	JAN
28.	EMPLOYMENT DIFFUSION INDEX, 186 INDUS.	% RISING	50	80.8	71.0	75.9	63.2	JAN
29.	UNEMPL. SEVERITY INDEX	WEEKS PER 100 IN LABOR FORCE	50	53.6	61.1	57.3	99.0	JAN
30.	UNEMPLOYMENT RATE: TOTAL	%	50	4.7	5.5	5.1	6.6	JAN
31.	UNEMPLOYMENT RATE: INSURED	%	50	3.1	2.8	2.9	2.6	JAN
33.	SHORT-DURATION UNEMPLOYMENT RATE	%	50	3.6	4.4	4.0	5.0	JAN
34.	LAYOFF RATE UNDER 5 WEEKS (TIMES 10)	%	50	3.5	3.6	3.6	4.8	JAN
35.	PART-TIME EMPLOYMENT RATIO	%	50	3.3	3.7	3.5	2.6	JAN
IV.	Investment Commitments and Inventories							
42.	INVENTORY/SALES RATIO (TIMES 10)	%	48	14.3	15.5	14.9	15.1	NOV
43.	CHANGE IN INVENTORIES ON HAND & ON ORDER	BIL. 82$.	48	45.0	44.5	44.7	-10.9	NOV
V.	Productivity, Wages, Costs, Prices and Profits							
44.	OUTPUT PER HOUR, GROWTH RATE	%	16Q	1.6	-0.8	0.4	-0.3	Q4
45.	UNIT LABOR COSTS, GROWTH RATE	%	16Q	1.3	10.6	5.9	2.9	Q4
46.	HOURLY COMPENSATION, GROWTH RATE	%	16Q	2.7	9.7	6.2	2.7	Q4
47.	REAL HOURLY COMPENSATION, GROWTH RATE	%	16Q	1.6	0.0	0.8	1.0	Q4
48.	SELLING PRICE INDEX, GROWTH RATE	%	16Q	2.8	8.5	5.6	1.5	Q4
49.	GROWTH IN PRICES MINUS GROWTH IN COSTS	% POINTS	16Q	1.5	-2.1	-0.3	-1.4	Q4
50.	CORPORATE PROFIT MARGIN	%	15Q	12.2	8.2	10.2	8.1	Q3
51.	PRICE/LABOR COST RATIO	1977-100	16Q	101.6	98.2	99.9	97.9	Q4
55.	CONSUMER PRICE INDEX, GROWTH RATE	%	49	1.3	10.9	6.1	2.0	DEC
57.	INDUSTRIAL MAT. PRICE INDEX, GROWTH RATE	%	50	4.3	16.5	10.4	11.9	JAN
58.	IMPORT PRICES EXCL. FUELS, GROWTH RATE	%	49	2.5	11.1	6.8	6.9	Q4(DEC)
59.	ANTICIPATED SELLING PRICES (D&B SURVEY)	% RISING	49	60.0	90.0	75.0	62.0	Q4(DEC)
VI.	Money, Credit, Interest Rates and Stock Prices							
60.	BUSINESS & CONSUMER DEBT, GROWTH RATE	%	49	12.4	15.0	13.7	7.2	DEC
61.	FEDERAL DEBT, GROWTH RATE	%	50	1.7	5.6	3.6	13.0	JAN
62.	TOTAL DEBT, GROWTH RATE	%	49	8.2	12.4	10.3	9.3	DEC
63.	MONEY SUPPLY (M1), GROWTH RATE	%	50	4.1	7.2	5.6	18.4	JAN
64.	MONEY SUPPLY (M2), GROWTH RATE	%	50	8.1	8.3	8.2	9.7	JAN
65.	TREASURY BILL RATE (3-MONTH)	%	50	3.9	9.6	6.8	5.4	JAN
66.	NEW CORPORATE BOND YIELD (AA)	%	50	4.5	9.8	7.1	8.6	JAN

TABLE 2

RECESSION-RECOVERY STATUS UP TO 50 MONTHS AFTER THE BUSINESS CYCLE TROUGH
Percentage Change from Trough Levels

		Months After Business Cycle Trough	Expansions Starting FEB. 1961	Expansions Starting MAR. 1975	Average (1961, 1975)	Current Expansion Starting Nov. 1982	Last Month or Quarter Available
I.	Composite Indexes						
1.	BUSINESS WEEK LEADING INDEX (CIBCR)	50	28.7	31.2	30.0	50.5	JAN
1A.	N.A.P.M. INDEX	50	33.8	32.5	33.2	20.7	JAN
2.	LEADING EMPLOYMENT INDEX (CIBCR)	50	29.3	27.4	28.3	28.6	JAN
3.	COINCIDENT EMPLOYMENT INDEX (CIBCR)	50	27.5	40.5	34.0	35.4	JAN
4.	LEADING INDEX (BCD)	49	32.8	34.6	33.7	33.3	DEC
5.	COINCIDENT INDEX (BCD)	49	29.5	31.2	30.3	25.5	DEC
12.	LAGGING INDEX (BCD)	49	15.5	3.5	9.5	13.4	DEC
14.	EIGHT-COUNTRY LEADING INDEX (CIBCR)	48	12.7	27.8	20.2	25.7	NOV
II.	Output, Income and Sales						
16.	REAL GNP	160	21.9	20.4	21.1	17.1	Q4
18.	INDUSTRIAL PRODUCTION INDEX	50	39.8	34.0	36.9	26.2	JAN
19.	REAL PERSONAL INCOME	49	20.3	18.5	19.4	14.7	DEC
20.	REAL CONSUMER EXPENDITURES	49	20.3	18.4	19.4	19.1	DEC
21.	REAL RETAIL SALES	49	21.3	21.1	21.2	28.5	DEC
III.	Employment and Unemployment						
22.	TOTAL EMPLOYMENT	50	7.4	15.0	11.2	11.9	JAN
24.	NONFARM EMPLOYMENT	50	12.4	17.2	14.8	14.7	JAN
25.	NONFARM EMPLOYEE-HOURS	50	13.3	16.4	14.8	15.4	JAN
26.	EMPLOYMENT IN GOODS-PRODUCING INDUSTRIES.	50	10.3	17.7	14.0	9.0	JAN
27.	EMPLOYMENT IN SERVICE-PRODUCING INDUSTRIES	50	13.6	17.0	15.3	16.6	JAN
32.	INITIAL CLAIMS, UNEMPLOYMENT INSURANCE	50	-40.8	-35.6	-38.2	-39.9	JAN
36.	AVERAGE WORKWEEK, MANUFACTURING	50	4.3	3.2	3.7	5.0	JAN
37.	OVERTIME HOURS, MANUFACTURING	50	61.9	41.7	51.8	56.5	JAN
IV.	Investment Commitments and Inventories						
38.	NEW PRIVATE HOUSING STARTS	50	15.9	93.9	54.9	40.8	JAN
39.	NEW PRIVATE HOUSING PERMITS	50	14.5	105.5	60.0	34.2	JAN
40.	CONTRACT & ORDERS, PLANT & EQUIPMENT	49	50.4	63.4	56.9	52.4	DEC
41.	NEW CAPITAL APPROPRIATIONS, MANUFACTURING	150	70.5	25.6	48.1	-5.0	Q3
V.	Productivity, Wages, Costs, Prices and Profits						
52.	LARGE BUSINESS FAILURES	50	-15.7	-17.6	-16.6	4.4	JAN
53.	LEADING INDEX OF INFLATION (CIBCR)	49	9.2	20.6	14.9	15.2	DEC
54.	CONSUMER PRICE INDEX, ALL URBAN CONSUMERS	49	4.9	33.8	19.4	12.9	DEC
56.	INDUSTRIAL MATERIALS PRICE INDEX	50	7.5	30.8	19.1	2.6	JAN
VI.	Money, Credit, Interest Rates and Stock Prices						
67.	STOCK PRICE INDEX (S&P 500)	50	41.9	20.3	31.1	93.5	JAN

TABLE 3

RECESSION-RECOVERY STATUS UP TO 50 MONTHS AFTER THE BUSINESS CYCLE TROUGH

Differences from Trough Levels

		Unit	Months After Business Cycle Trough	Expansions Starting FEB. 1961	Expansions Starting MAR. 1975	Average (1961, 1975)	Current Expansion Starting Nov. 1982	Last Month or Quarter Available
I.	Composite Indexes							
6.	BUSINESS WEEK LEADING INDEX, GROWTH RATE	%	50	-1.1	8.6	3.7	20.3	JAN
6A.	N.A.P.M. INDEX, GROWTH RATE	%	50	9.1	21.6	15.3	9.4	JAN
7.	LEADING EMPLOYMENT INDEX, GROWTH RATE	%	50	7.7	13.4	10.5	4.1	JAN
8.	COINCIDENT EMPLOYMENT INDEX, GROWTH RATE	%	50	15.7	23.2	19.5	13.9	JAN
9.	LEADING INDEX, GROWTH RATE.	%	49	5.6	12.6	9.1	4.2	DEC
10.	COINCIDENT INDEX, GROWTH RATE	%	49	16.2	17.9	17.0	9.6	DEC
11.	DIFFUSION INDEX OF LEADING INDICATORS	% RISING	50	35.3	33.3	34.3	31.8	JAN
13.	RATIO, COINCIDENT TO LAGGING INDEX	1967=100	49	10.6	25.9	18.3	11.9	DEC
15.	EIGHT-COUNTRY LEADING INDEX, GROWTH RATE	%	48	-2.9	20.4	8.8	4.8	NOV
II.	Output, Income and Sales							
17.	REAL GNP GROWTH RATE	%	16Q	4.6	8.4	6.5	2.9	Q4
III.	Employment and Unemployment							
23.	EMPLOYMENT TO POPULATION RATIO	%	50	0.4	3.7	2.1	3.7	JAN
28.	EMPLOYMENT DIFFUSION INDEX, 186 INDUS.	% RISING	50	60.5	56.9	58.7	42.2	JAN
29.	UNEMPL. SEVERITY INDEX	WEEKS PER 100 IN LABOR FORCE	50	-38.0	-40.2	-39.1	-85.0	JAN
30.	UNEMPLOYMENT RATE: TOTAL	%	50	-1.9	-2.8	-2.4	-3.9	JAN
31.	UNEMPLOYMENT RATE: INSURED	%	50	-3.2	-3.5	-3.3	-2.4	JAN
33.	SHORT-DURATION UNEMPLOYMENT RATE	%	50	-1.1	-1.6	-1.3	-1.5	JAN
34.	LAYOFF RATE UNDER 5 WEEKS (TIMES 10)	%	50	-2.9	-4.9	-3.9	-4.2	JAN
35.	PART-TIME EMPLOYMENT RATIO	%	50	1.6	0.8	1.2	0.7	JAN
IV.	Investment Commitments and Inventories							
42.	INVENTORY/SALES RATIO (TIMES 10)	%	48	-1.2	-1.8	-1.5	-2.0	NOV
43.	CHANGE IN INVENTORIES ON HAND & ON ORDER	BIL. 82$.	48	70.1	103.7	86.9	28.3	NOV
V.	Productivity, Wages, Costs, Prices and Profits							
44.	OUTPUT PER HOUR, GROWTH RATE	%	16Q	-0.2	-0.3	-0.2	-1.4	Q4
45.	UNIT LABOR COSTS, GROWTH RATE	%	16Q	0.0	-0.8	-0.4	-2.4	Q4
46.	HOURLY COMPENSATION, GROWTH RATE	%	16Q	-0.5	-1.4	-0.9	-3.8	Q4
47.	REAL HOURLY COMPENSATION, GROWTH RATE	%	16Q	-0.2	-0.2	-0.2	-1.2	Q4
48.	SELLING PRICE INDEX, GROWTH RATE	%	16Q	3.1	-4.7	-0.8	-2.8	Q4
49.	GROWTH IN PRICES MINUS GROWTH IN COSTS	% POINTS	16Q	3.1	-3.9	-0.4	-0.4	Q4
50.	CORPORATE PROFIT MARGIN	%	15Q	3.0	2.5	2.8	4.2	Q3
51.	PRICE/LABOR COST RATIO	1977=100	16Q	5.0	1.0	3.0	2.5	Q4
55.	CONSUMER PRICE INDEX, GROWTH RATE	%	49	-0.1	1.2	0.6	-2.1	DEC
57.	INDUSTRIAL MAT. PRICE INDEX, GROWTH RATE	%	50	9.0	29.6	19.3	18.9	JAN
58.	IMPORT PRICES EXCL. FUELS, GROWTH RATE	%	49	4.3	-4.5	-0.1	8.6	Q4(DEC)
59.	ANTICIPATED SELLING PRICES (D&B SURVEY)	% RISING	49	5.0	14.3	9.7	-5.7	Q4(DEC)
VI.	Money, Credit, Interest Rates and Stock Prices							
60.	BUSINESS & CONSUMER DEBT, GROWTH RATE	%	49	4.8	9.0	6.9	7.4	DEC
61.	FEDERAL DEBT, GROWTH RATE	%	50	2.2	-5.7	1.7	6.7	JAN
62.	TOTAL DEBT, GROWTH RATE	%	49	4.4	5.2	4.8	4.4	DEC
63.	MONEY SUPPLY (M1), GROWTH RATE	%	50	2.5	3.5	3.0	8.5	JAN
64.	MONEY SUPPLY (M2), GROWTH RATE	%	50	1.6	0.8	1.2	-0.1	JAN
65.	TREASURY BILL RATE (3-MONTH)	%	50	1.6	4.1	2.8	-2.5	JAN
66.	NEW CORPORATE BOND YIELD (AA)	%	50	0.0	0.4	0.2	-3.6	JAN

RECESSION-RECOVERY CHARTS

——— Current recovery to date (business cycle trough: November 1982 or IV Q 1982)

╫╫╫╫ Average of two very long recoveries (1961-69, 1975-80)

How to Read the Charts

The charts show how the current recovery, dated from November 1982, compares with the average previous recovery over the same length of time. They also show how the average previous recovery developed beyond the present point, and hence what a forecast based on that average would look like. Forecasts based upon other information can be evaluated against this background. One can see easily where new figures or forecasts would be placed.

The horizontal time scale in each chart shows the number of months before (-) or after (+) the business cycle trough (0). For the current cycle November 1982 is zero, May 1983 is Month 6, etc. The vertical scale on the left side of most charts is an index with the three-month average centered on the business cycle trough date equal to 100. This three-month average is called the trough standing. For the current cycle, the figures plotted are indexes with the October to December 1982 average equal to 100. Each of the previous cycles are converted to indexes in the same way, and then the corresponding months are averaged for the two very long cycles, 1961-80. Quarterly series (e.g., GNP) are treated in the same way as monthly except that quarterly business cycle trough dates are used and each quarter is plotted as a horizontal line for three months.

When the figures are percentages, ratios or changes (e.g., the unemployment rate or GNP growth rate, employment to population ratio, or change in inventories), the charts show actual levels of the data, rather than deviations from trough standings.

On all charts the right-hand scale applies to the current cycle. This scale shows how the averages for previous recoveries translate to current levels. The November 1982 trough standing for the current cycle is shown at the bottom of the chart for reference.

The averages, which extend out to four years after the trough, include the 1961-69 and 1975-80 recoveries, which lasted 106 and 58 months, respectively. The 1949-53, 1954-57, 1958-60, 1970-73 and 1980-81 recoveries, which lasted 45, 39, 24, 36 and 12 months respectively, are excluded to avoid including the subsequent recessions in the averages.

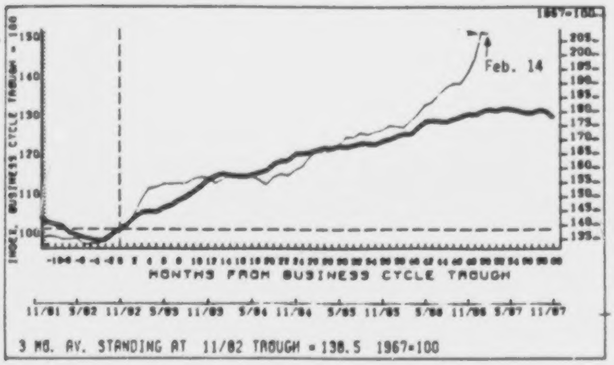
All the growth rates shown are six-month smoothed rates (or two-quarter smoothed), obtained by dividing the current month's figure by the average for the twelve preceding months, and expressing the result as a compound annual rate.

Data in some charts are a month or a quarter more up-to-date than in the preceding three tables.

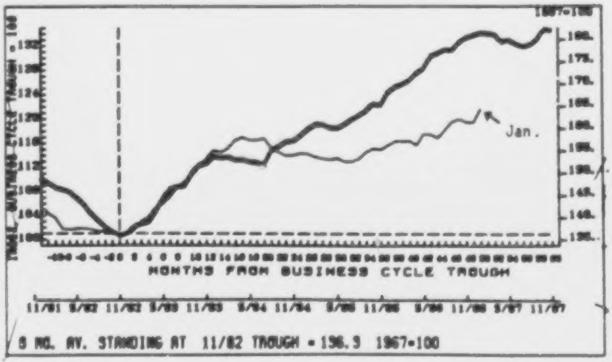
In the charts, growth rate is abbreviated to "G.R."

COMPOSITE INDEXES

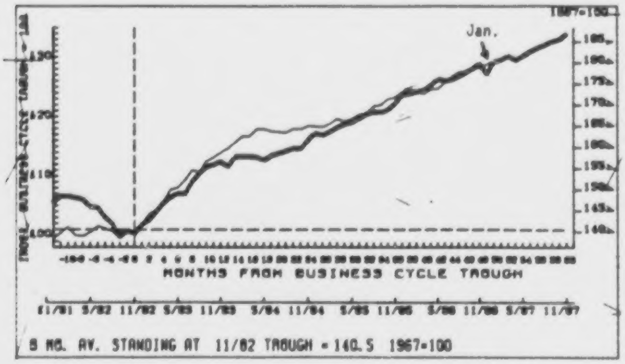
1. BUSINESS WEEK LEADING INDEX (CIBCR)



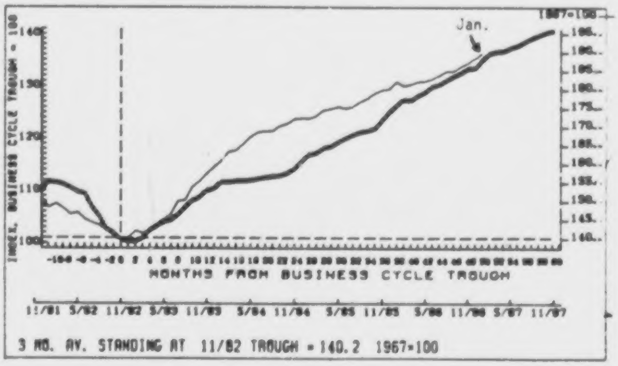
1A. N. A. P. M. LEADING INDEX



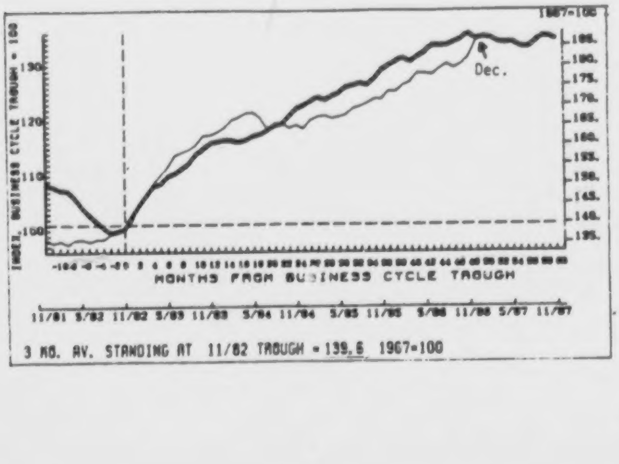
2. LEADING EMPLOYMENT INDEX (CIBCR)



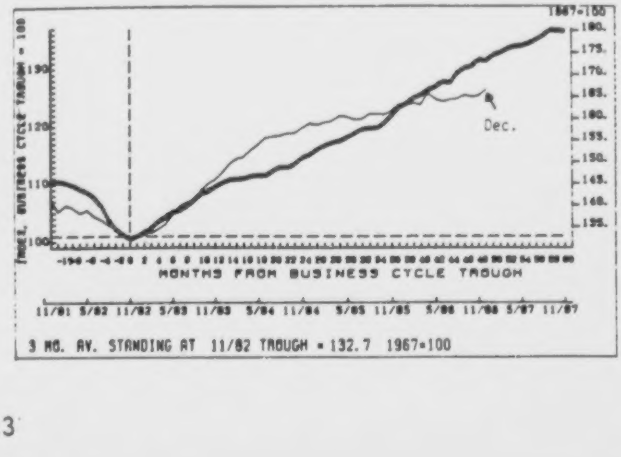
3. COINCIDENT EMPLOYMENT INDEX (CIBCR)



4. LEADING INDEX (BCD)

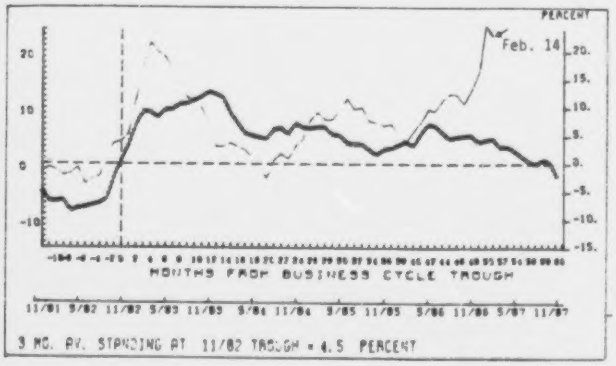


5. COINCIDENT INDEX (BCD)



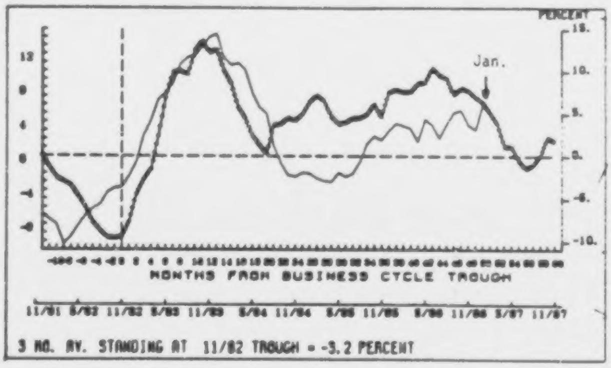
COMPOSITE INDEX GROWTH RATES

6. BUSINESS WEEK LEADING INDEX, G. R.



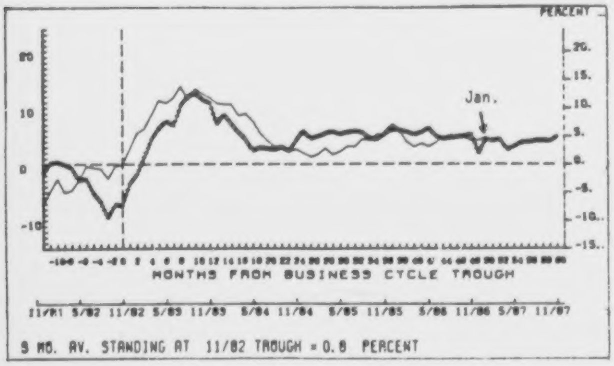
3 MO. AV. STANDING AT 11/82 TROUGH = 4.5 PERCENT

6A. N. A. P. M. LEADING INDEX, G. R



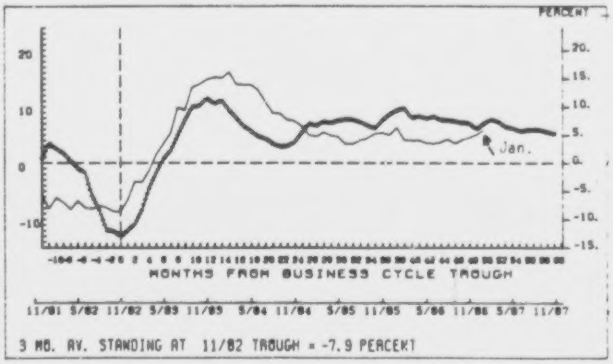
3 MO. AV. STANDING AT 11/82 TROUGH = -3.2 PERCENT

7. LEADING EMPLOYMENT INDEX, G. R.



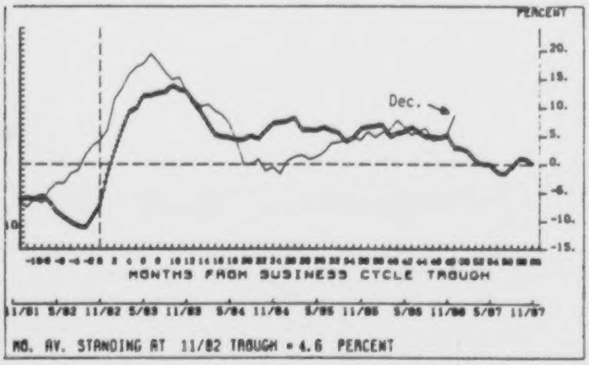
3 MO. AV. STANDING AT 11/82 TROUGH = 0.8 PERCENT

8. COINCIDENT EMPLOYMENT INDEX, G. R.



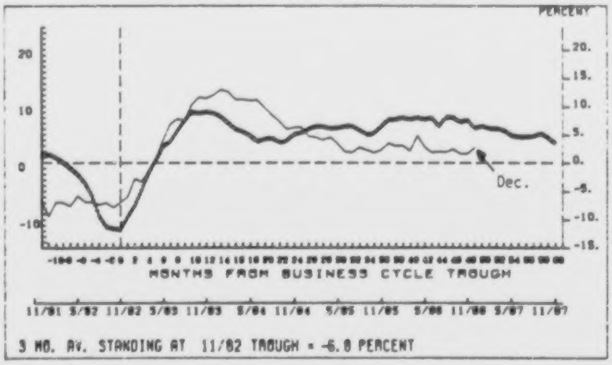
3 MO. AV. STANDING AT 11/82 TROUGH = -7.9 PERCENT

9. LEADING INDEX, G. R. (BCD)



MO. AV. STANDING AT 11/82 TROUGH = 4.6 PERCENT

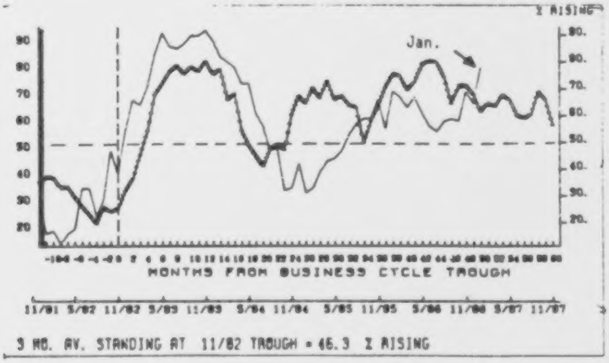
10. COINCIDENT INDEX, G. R. (BCD)



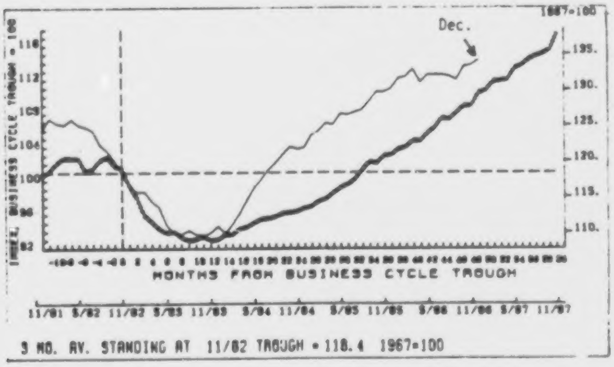
3 MO. AV. STANDING AT 11/82 TROUGH = -6.8 PERCENT

OTHER COMPOSITE INDEXES

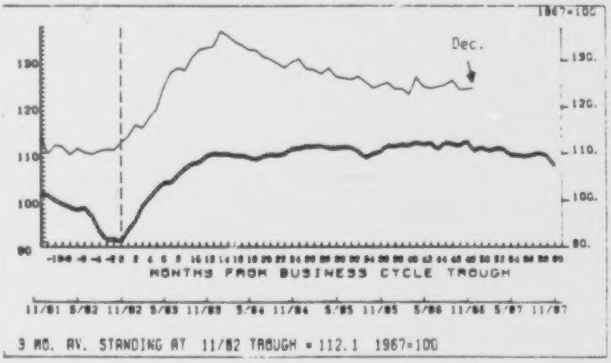
11. DIFFUSION INDEX OF LEADING INDICATORS (CIBCR)



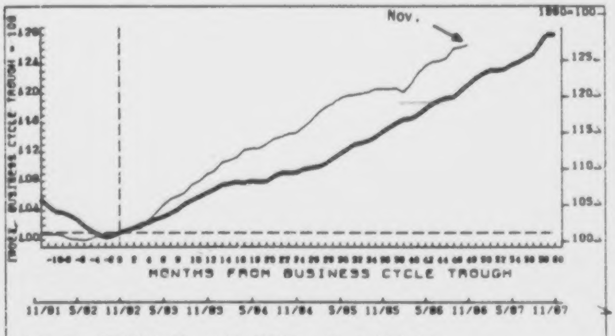
12. LAGGING INDEX (BCD)



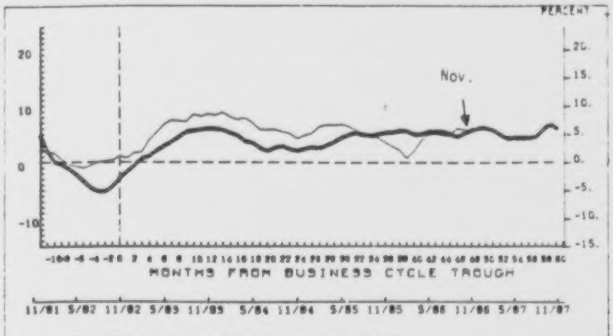
13. RATIO, COINC. TO LAGGING INDEX



14. 8-COUNTRY LEADING INDEX (CIBCR)*



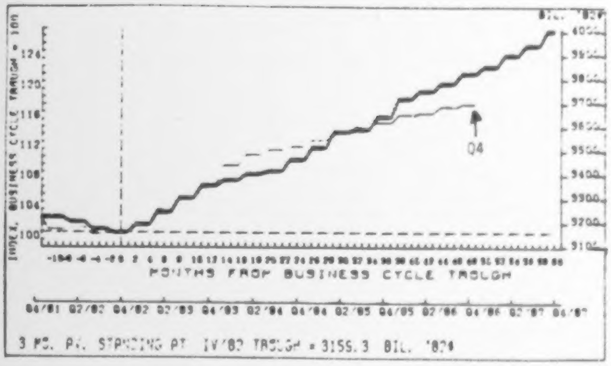
15. EIGHT-COUNTRY LEADING INDEX, G. R.



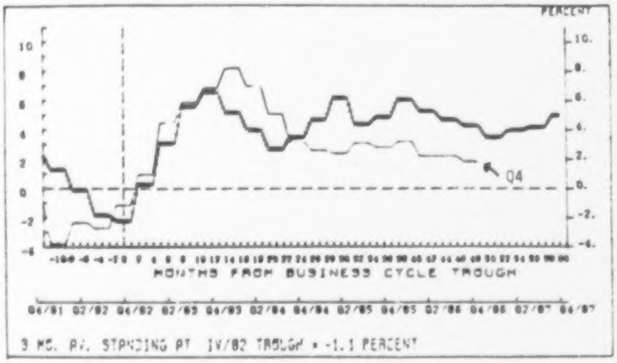
*Canada, United Kingdom, West Germany, France, Italy, Japan, Australia & Taiwan.

OUTPUT, INCOME AND SALES

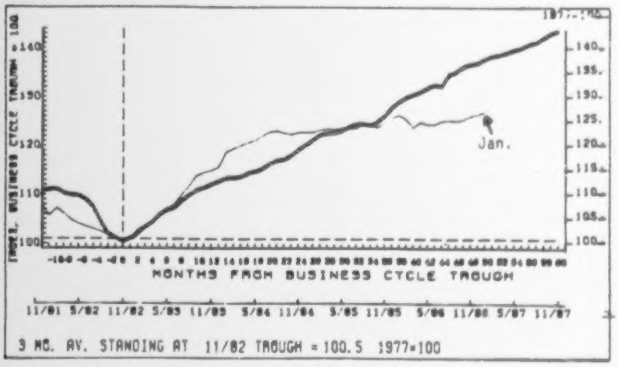
16. REAL GNP



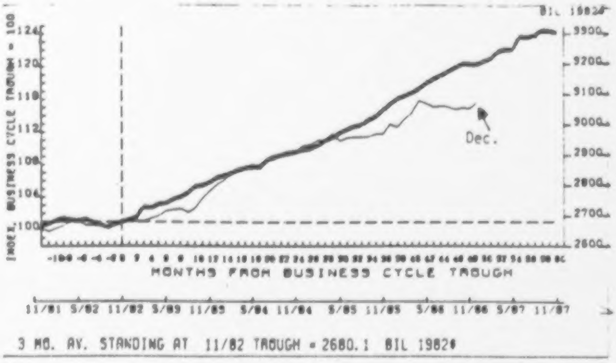
17. REAL GNP, GROWTH RATE



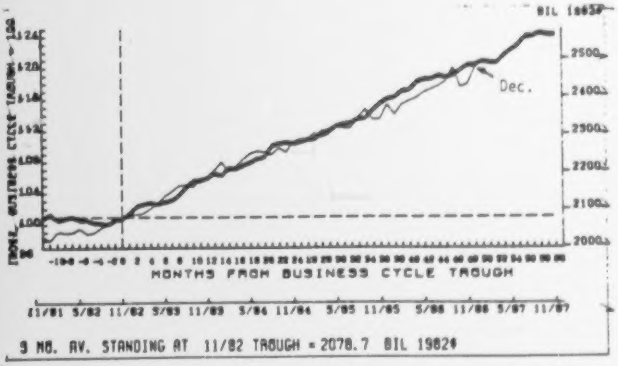
18. INDUSTRIAL PRODUCTION INDEX



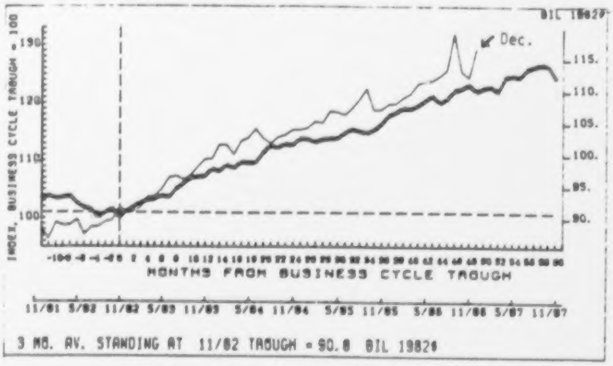
19. REAL PERSONAL INCOME



20. REAL CONSUMER EXPENDITURES

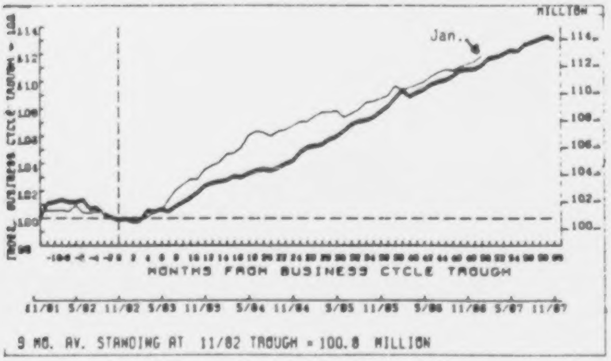


21. REAL RETAIL SALES



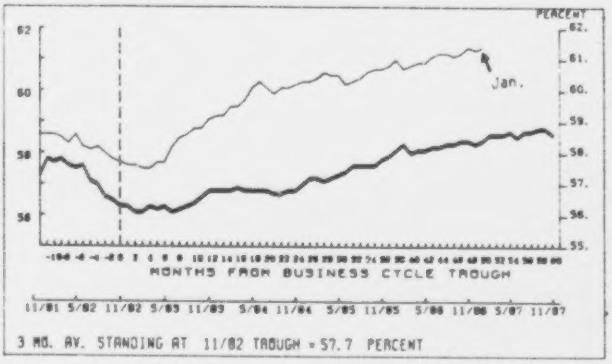
EMPLOYMENT

22. TOTAL EMPLOYMENT



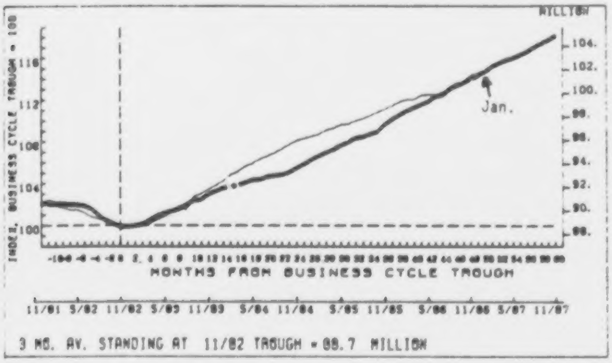
3 MO. AV. STANDING AT 11/82 TROUGH = 100.8 MILLION

23. EMPLOYMENT TO POPULATION RATIO



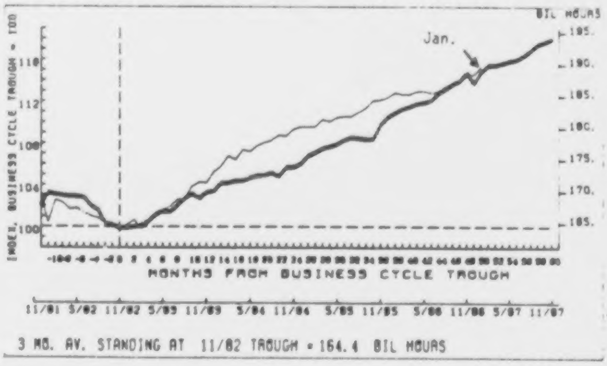
3 MO. AV. STANDING AT 11/82 TROUGH = 57.7 PERCENT

24. NONFARM EMPLOYMENT



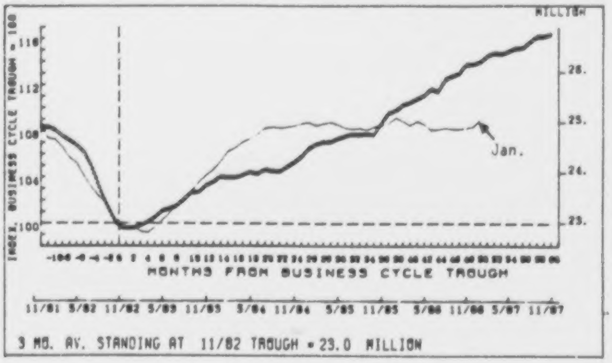
3 MO. AV. STANDING AT 11/82 TROUGH = 88.7 MILLION

25. NONFARM EMPLOYEE HOURS



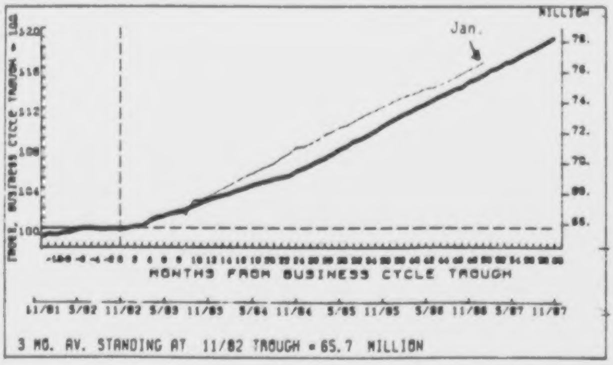
3 MO. AV. STANDING AT 11/82 TROUGH = 164.4 BIL HOURS

26. EMPLOYMENT IN GOODS-PROD. INDUS.



3 MO. AV. STANDING AT 11/82 TROUGH = 23.0 MILLION

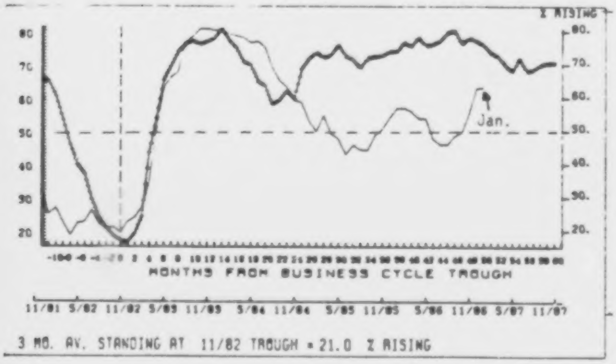
27. EMPLOYMENT IN SERVICE-PROD. INDUS.



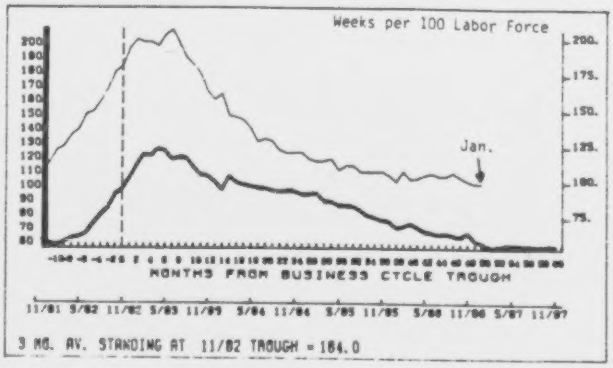
3 MO. AV. STANDING AT 11/82 TROUGH = 65.7 MILLION

UNEMPLOYMENT

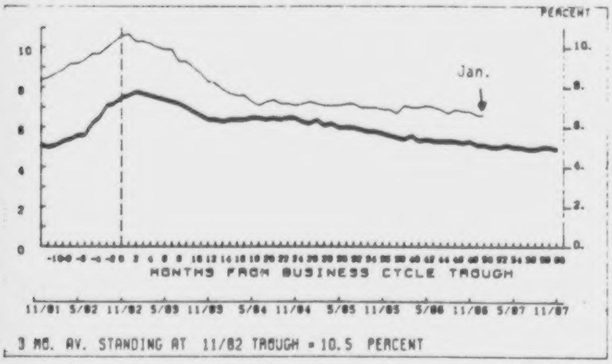
28. EMPLOY. DIFFUS. INDEX, 186 INDUS.



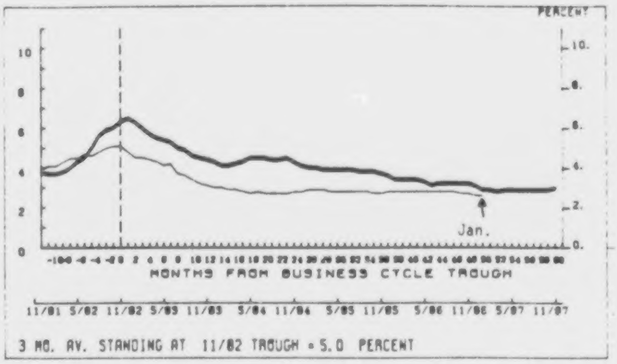
29. UNEMPLOYMENT SEVERITY INDEX



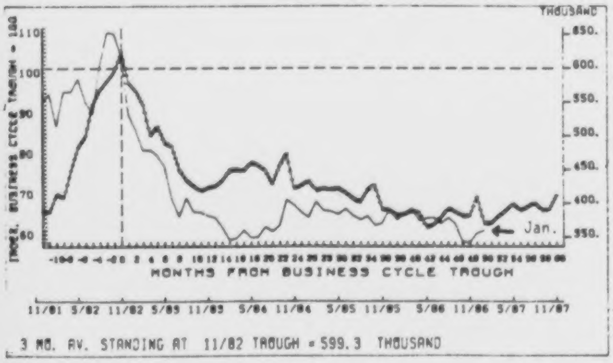
30. UNEMPLOYMENT RATE: TOTAL



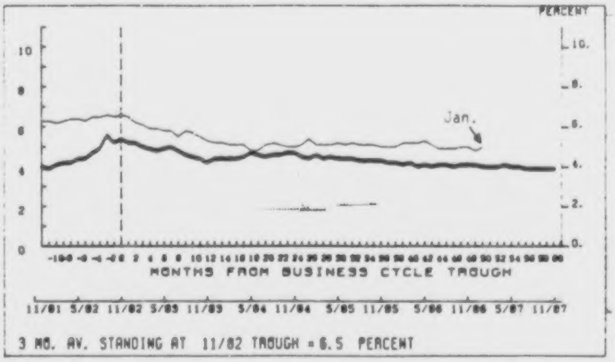
31. UNEMPLOYMENT RATE: INSURED



32. INITIAL CLAIMS, UNEMPLOY. INSUR.

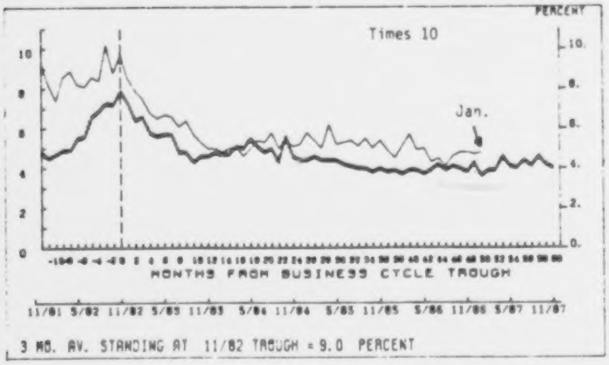


33. SHORT-DUR. UNEMPLOYMENT RATE

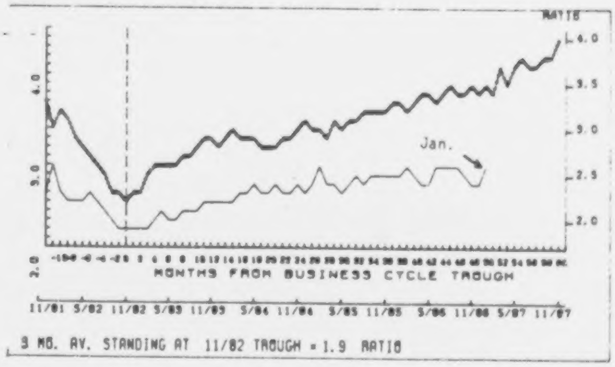


OTHER LEADING EMPLOYMENT INDICATORS

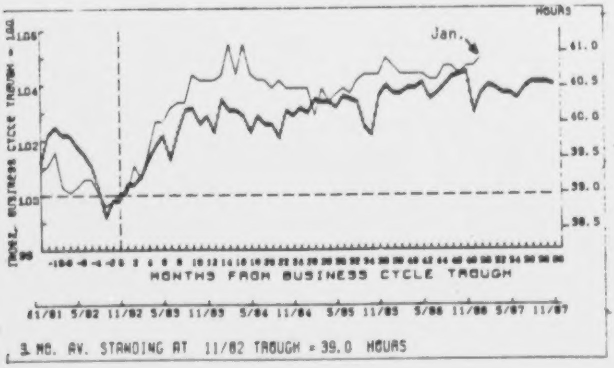
34. LAYOFF RATE UNDER 5 WEEKS



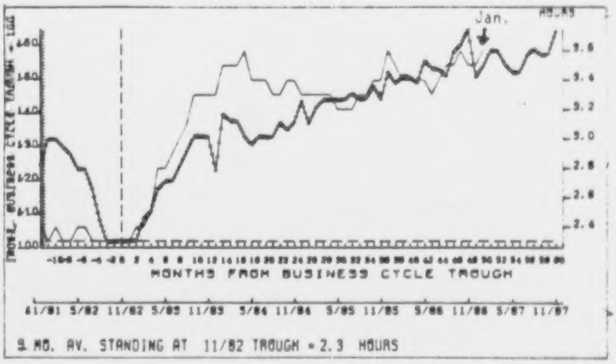
35. VOL. TO INVOL. PART-TIME EMPL. RATIO



36. AVERAGE WORKWEEK, MFG.

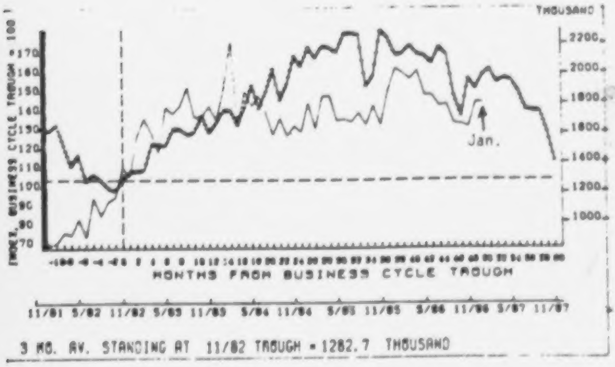


37. OVERTIME HOURS, MFG.

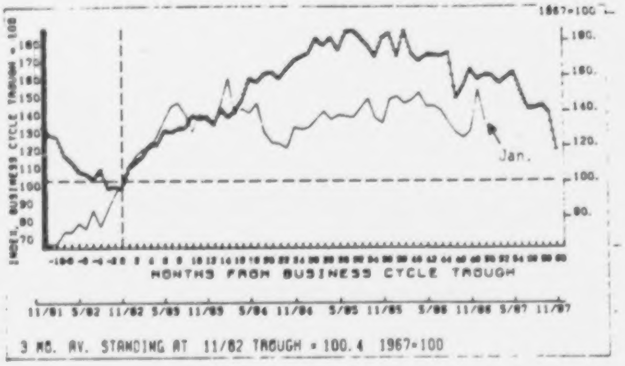


INVESTMENT COMMITMENTS AND INVENTORIES

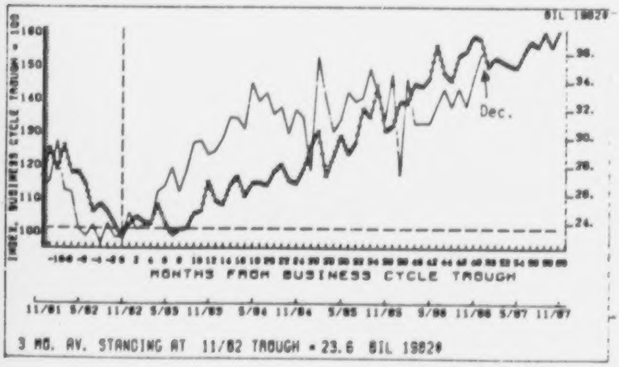
38. NEW PRIVATE HOUSING STARTS



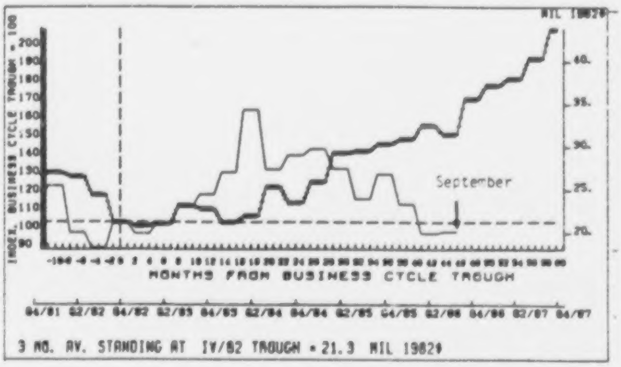
39. NEW PRIVATE HOUSING PERMITS



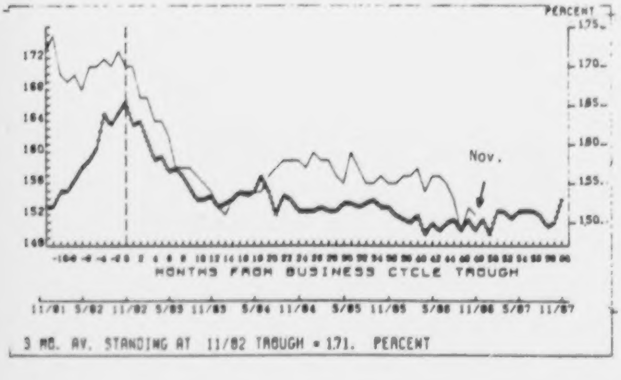
40. CONTRACTS & ORDERS, PLANT & EQUIP.



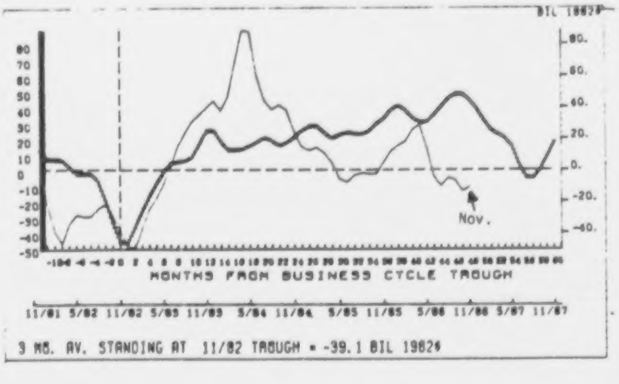
41. NEW CAPITAL APPROPRIATIONS, MFG.



42. INV./SALES RATIO, MFG. AND TRADE

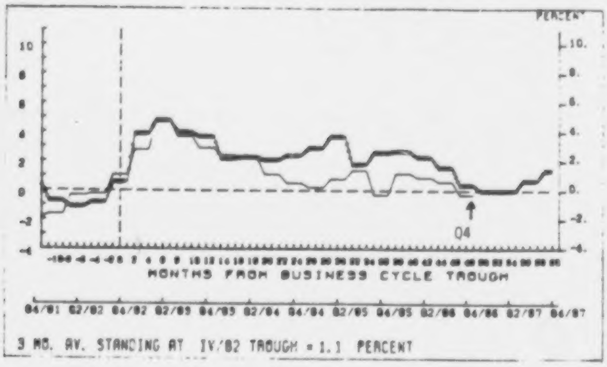


43. CHANGE IN INV. ON HAND & ON ORDER



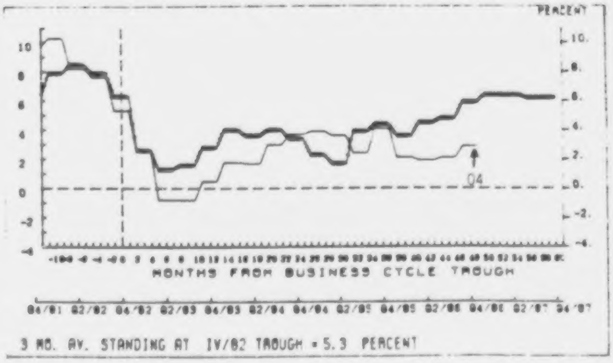
PRODUCTIVITY, WAGES, COSTS, PRICES AND PROFITS

44. OUTPUT PER HOUR, G. R.



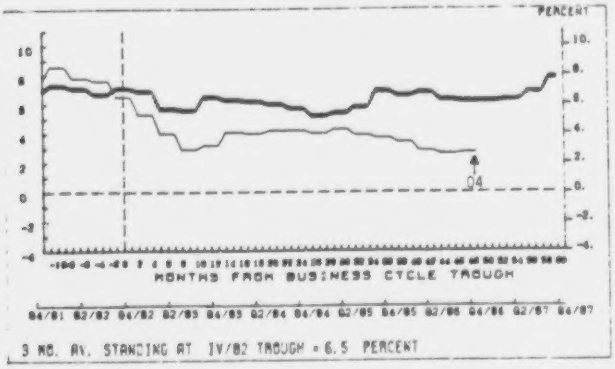
3 MO. AV. STANDING AT IV/82 TROUGH = 1.1 PERCENT

45. UNIT LABOR COSTS, G. R.



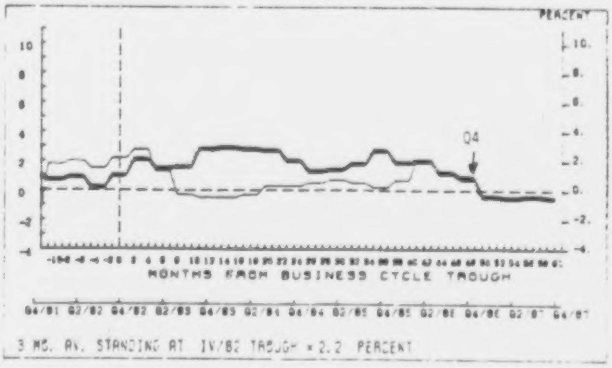
3 MO. AV. STANDING AT IV/82 TROUGH = 5.3 PERCENT

46. HOURLY COMPENSATION, G. R.



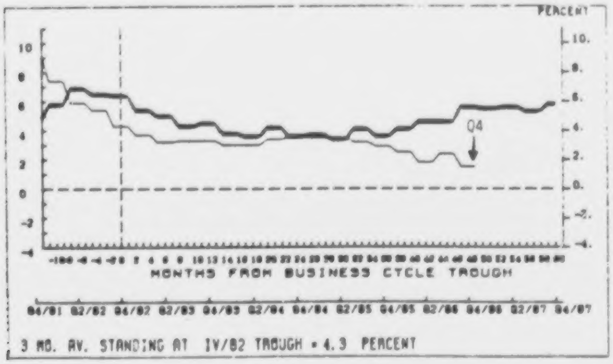
3 MO. AV. STANDING AT IV/82 TROUGH = 6.5 PERCENT

47. REAL HOURLY COMPENSATION, G. R.



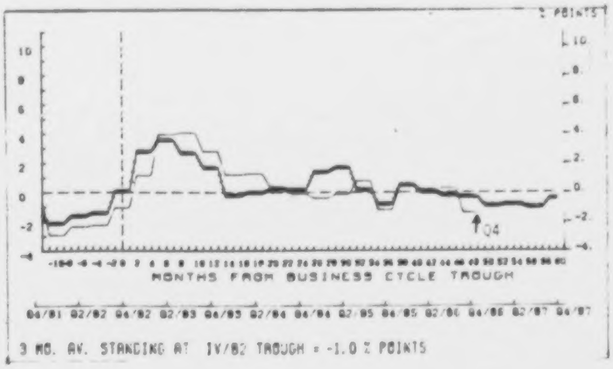
3 MO. AV. STANDING AT IV/82 TROUGH = 2.2 PERCENT

48. SELLING PRICE INDEX, G. R.



3 MO. AV. STANDING AT IV/82 TROUGH = 4.3 PERCENT

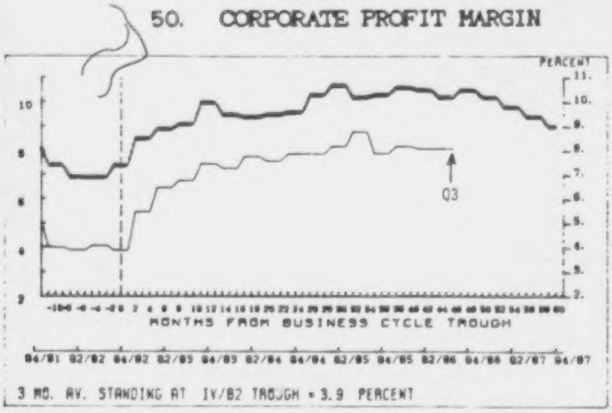
49. G. R. IN PRICES MINUS G. R. IN COSTS



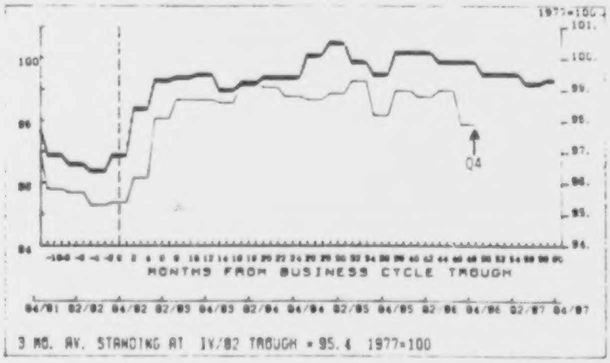
3 MO. AV. STANDING AT IV/82 TROUGH = -1.0 % POINTS

PRODUCTIVITY, WAGES, COSTS, PRICES AND PROFITS, cont.

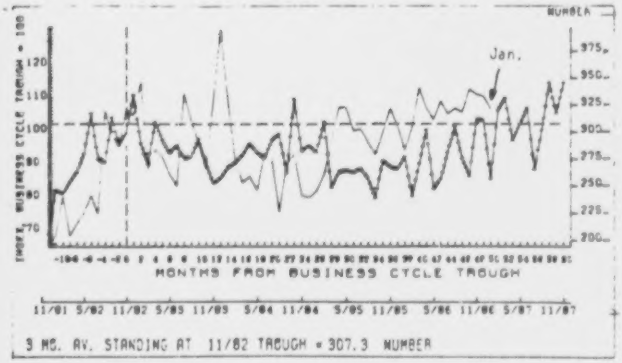
50. CORPORATE PROFIT MARGIN



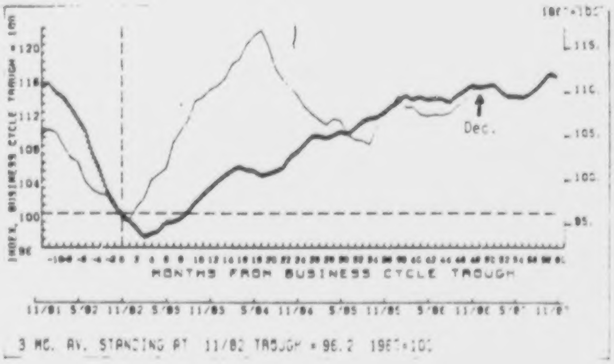
51. PRICE/LABOR COST RATIO



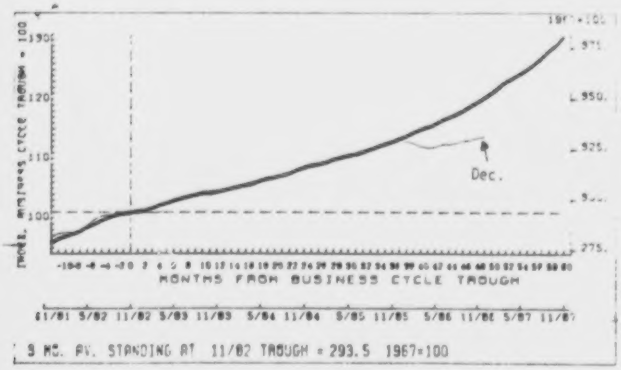
52. LARGE BUSINESS FAILURES



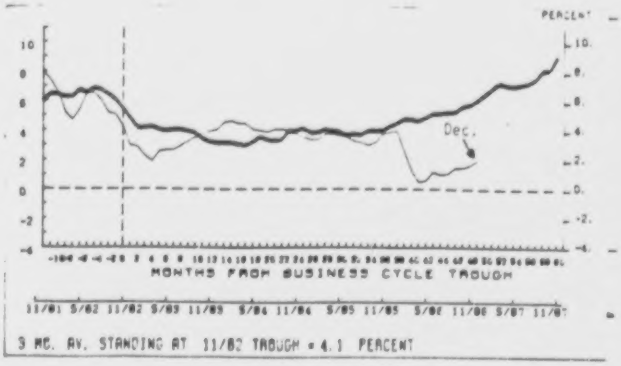
53. LEADING INDEX OF INFLATION (CIBCR)



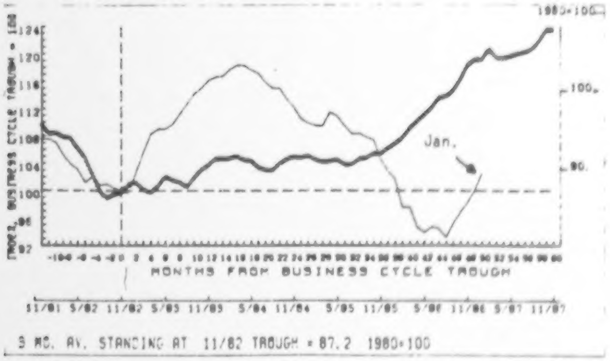
54. CONSUMER PRICE INDEX



55. CONSUMER PRICE INDEX, G. R.

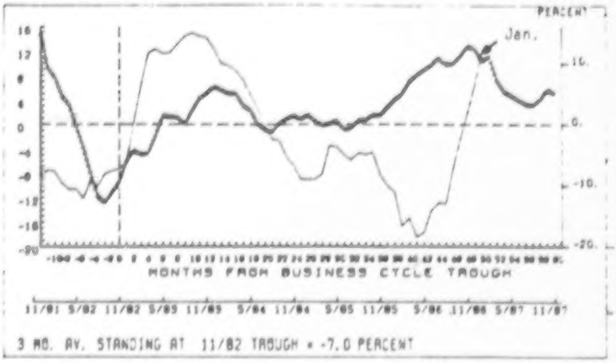


56. INDUSTRIAL MATERIALS PRICE INDEX



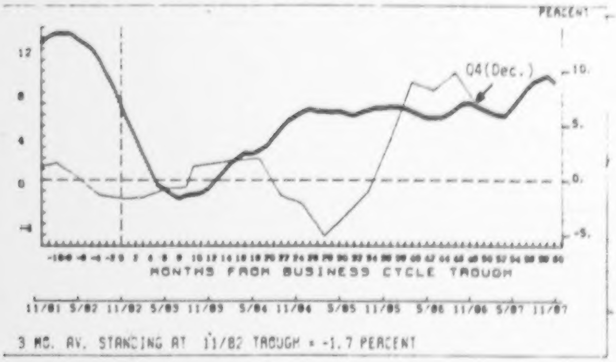
3 MO. AV. STANDING AT 11/82 TROUGH = 87.2 1980=100

57. INDUS. MATERIALS PRICE INDEX, G. R.



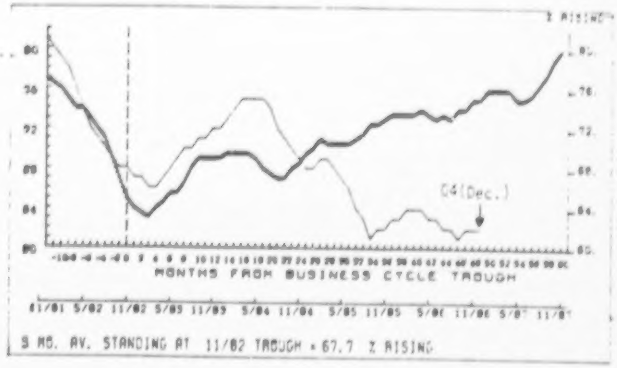
3 MO. AV. STANDING AT 11/82 TROUGH = -7.0 PERCENT

58. IMPORT PRICE INDEX (EXCLUDING FUELS), G. R.



3 MO. AV. STANDING AT 11/82 TROUGH = -1.7 PERCENT

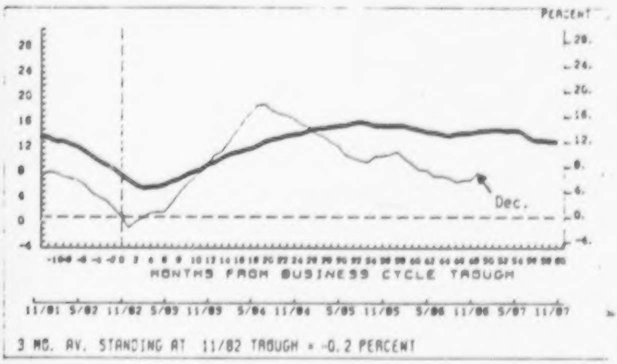
59. BUSINESSMEN'S ANTICPATED SELLING PRICES (SURVEY)



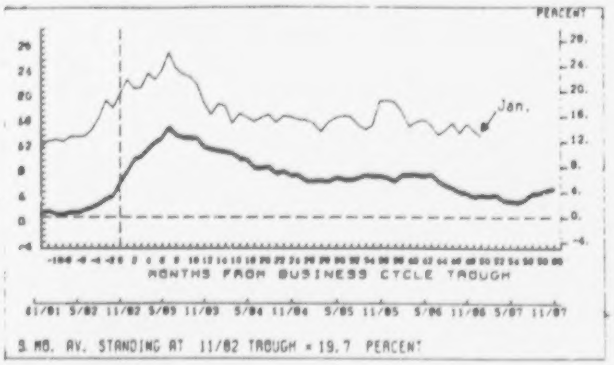
3 MO. AV. STANDING AT 11/82 TROUGH = 67.7 % RISING

MONEY, CREDIT, INTEREST RATES AND STOCK PRICES

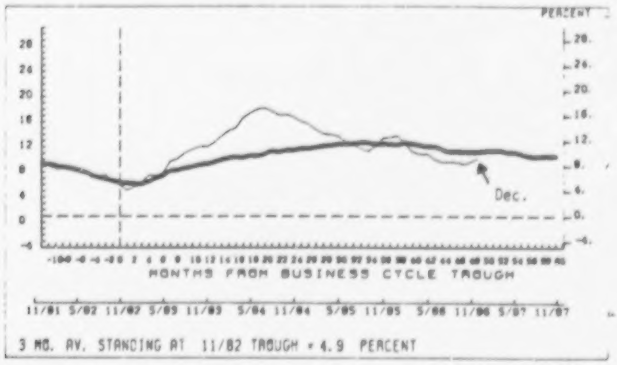
60. BUSINESS & CONSUMER DEBT, G. R.



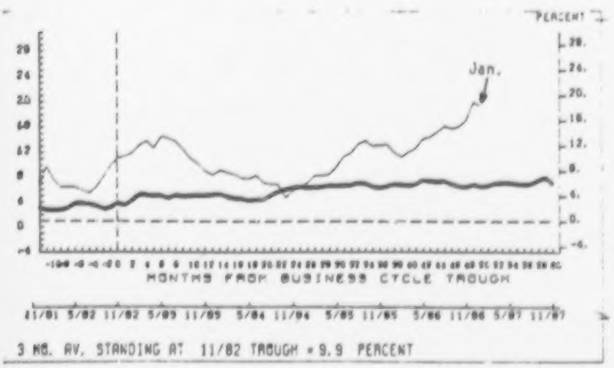
61. FEDERAL DEBT, G. R.



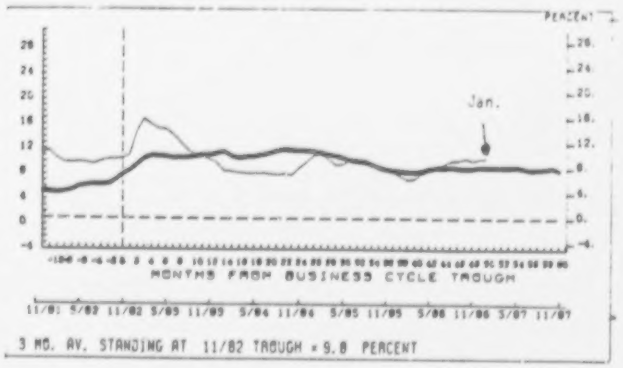
62. TOTAL DEBT, G. R.



63. MONEY SUPPLY (M1), G. R.

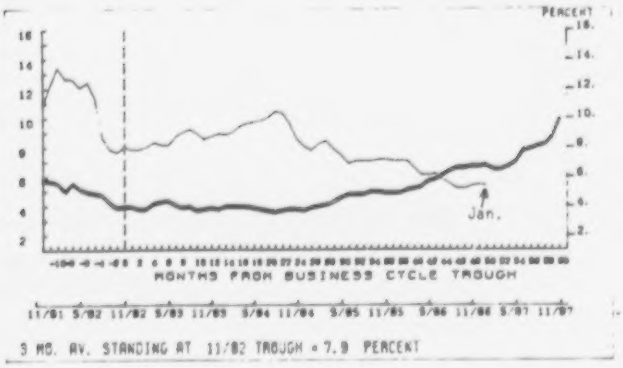


64. MONEY SUPPLY (M2), G. R.



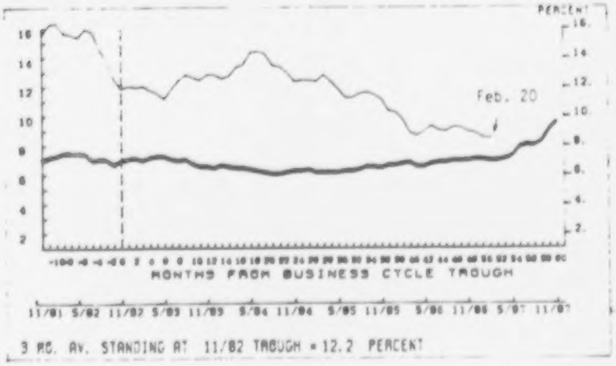
MONEY CREDIT, INTEREST RATES AND STOCK PRICES, cont.

65. TREASURY BILL RATE (3-MONTH)



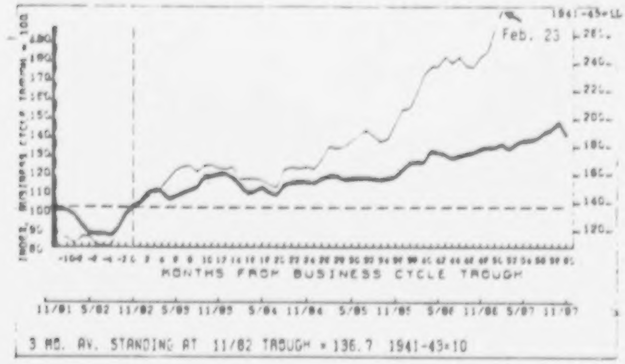
3 MO. AV. STANDING AT 11/82 TROUGH = 7.9 PERCENT

66. NEW CORPORATE BOND YIELD (AA)



3 MO. AV. STANDING AT 11/82 TROUGH = 12.2 PERCENT

67. COMMON STOCK PRICE INDEX (S&P 500)



3 MO. AV. STANDING AT 11/82 TROUGH = 136.7 1941-43=10

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The Center for International Business Cycle Research (CIBCR), established in 1979, specializes in the study of trends and fluctuations in economic growth and inflation in the United States and other countries. The analysis contained in this report is the result of its ongoing research programs on U.S. business cycles. Readers are invited to submit comments and suggestions concerning this publication. In addition, readers wishing to secure data compiled by the Center on the eight other major industrial countries or copies of research reports may do so by communicating with:

Center for International Business Cycle Research
323 Uris Hall, Columbia University
New York, NY 10027
Telephone: (212) 280-2916

ABOUT THIS REPORT

RECESSION-RECOVERY WATCH is a bimonthly report designed to analyze current business cycle trends in terms of previous recession or recovery patterns in the United States.

This report was begun in August 1979, under the direction of Dr. Geoffrey H. Moore, following the methodology for measuring recessions developed at the National Bureau of Economic Research. Although no forecasts are made, the materials in this report do permit glimpses into the future: first by analyzing the behavior of various leading indicators; second, by indicating what is likely to happen in terms of what did happen in previous recessions and recoveries.

The leading indicators used in this report are relevant to future output and employment because they represent actions taken, like the placing of orders, that will result in future output, or because they reflect factors, like profits, that influence future decisions on output. The record of what happens during the latter stages of business cycles is relevant because of the family resemblance among successive cycles, a resemblance that has its origin in the processes by which business cycles are generated. Every business cycle has its own surprises, partly because of policy actions taken, but many developments are not surprising, having occurred many times before. The historical comparisons contained in this report help one anticipate what is typical and distinguish it from the unusual.

A 1986 Supplement to Recession-Recovery Watch contains a detailed set of tables analyzing the behavior of all the indicators in this report during each cycle from 1948 to 1985.

Other CIBCR publications include International Economic Indicators, a monthly 70-page data compilation on leading and coincident indicators for nine industrial countries. Monthly press releases are issued on a leading index of inflation and a leading employment index for the United States.

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5/11/87 LL1245-2

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RECESSION - RECOVERY WATCH...

**A Bimonthly Report
Designed to Assist in the Evaluation
of Current Business Conditions**

Published by the Center for International Business Cycle Research,
Columbia Business School, Columbia University, New York, NY 10027

Dr. Geoffrey H. Moore
Director

Vol. 9, No. 2
April 1987

Summary

More growth and more inflation is the message from the leading indexes, a prospect that is consistent with the pattern of previous long-lasting business cycle expansions. The growth rate in the Business Week leading index eased down a bit by mid-April but still was a high 16%. The leading employment index for March reached a new high level, with a growth rate close to 6%, suggesting that further declines in unemployment lie ahead. The Commerce Department's leading index for February clocked a growth rate of 7%. All this looks good for the real economy, and the first quarter real GNP threw in its support, though partly because the method used to deflate the trade deficit, in our view, exaggerates the improvement that has occurred. On the inflation front, the leading index of inflation continued to rise through March, spurred by vigorous increases in industrial materials prices and import prices. The CPI inflation rate is nearing 4% and has been hewing close to its average pattern during previous inflation cycle upswings.

Inflation Worries, Again

Cyclical upswings in the rate of inflation have usually lasted two or three years. They are relatively easy to identify historically, not so easy currently. We believe the current upswing began in April 1986, and if so it has already lasted about a year. Most of the leading inflation indicators suggest the upswing is likely to continue.

In this issue of Recession-Recovery Watch we examine the state of the inflation cycle in the perspective of previous inflation cycles. This procedure was initiated in the December 1986 issue of RRW, where we observed on the basis of data through November that the upswing was somewhat below average in strength but moving up. Chart A and Table A show that the inflation rate has indeed moved up since then.

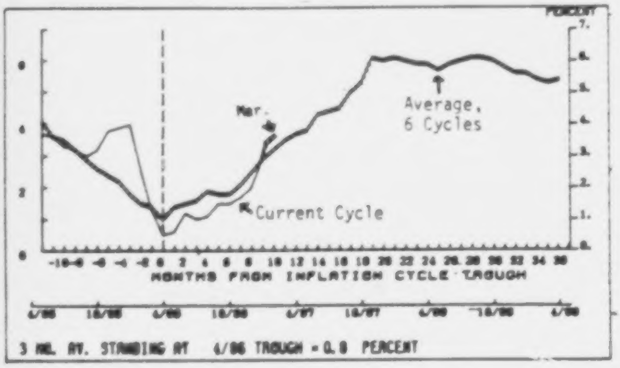
CHART A.

INFLATION CYCLE PATTERNS

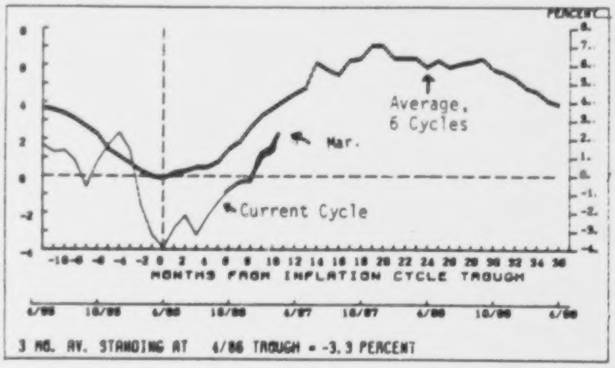
——— Current upswing to date (inflation trough, April 1986)

━━━ Average, six previous inflation upswings (1949-80)

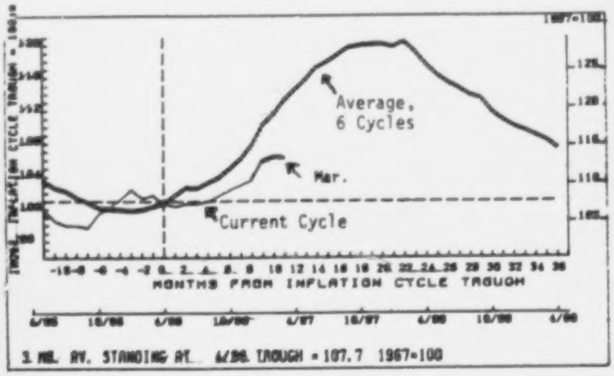
Consumer Price Index, Growth Rate



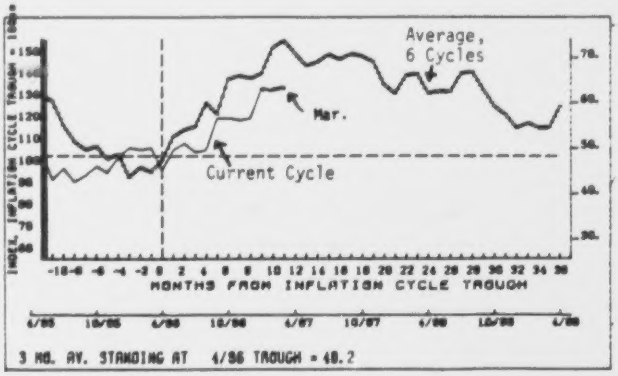
Producer Price Index, Finished Goods, Growth Rate



Leading Inflation Index



Purchasing Managers Price Survey



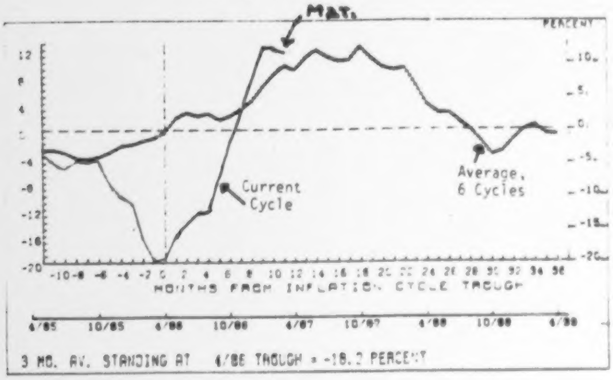
Center for International Business Cycle Research

CHART A., continued

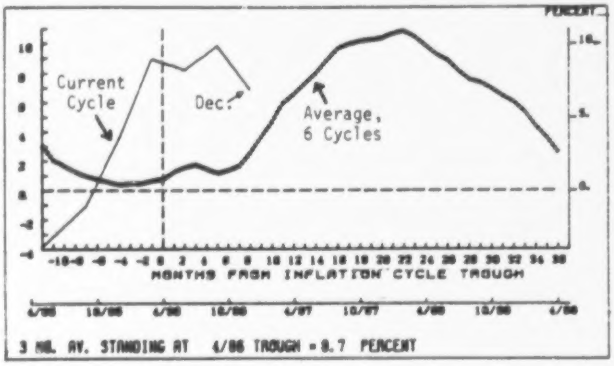
——— *Current upswing to date (inflation trough, April 1986)*

━━━ *Average, six previous inflation upswings (1949-80)*

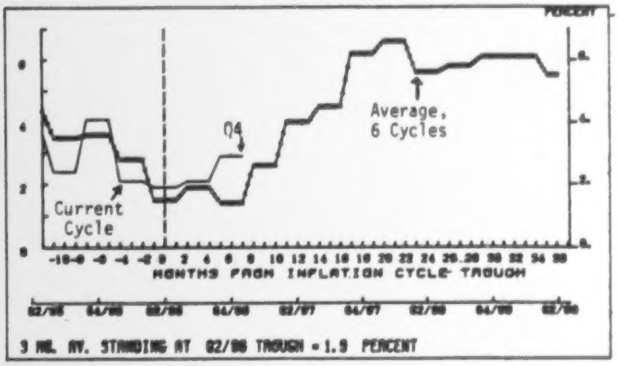
Journal of Commerce Industrial Materials Price Index, Growth Rate



Import Price Index, excl. Fuels, Growth Rate



Unit Labor Costs, Nonfarm, Growth Rate



Center for International Business Cycle Research.

TABLE A.

INFLATION CYCLE RECORD: CURRENT CYCLE AND AVERAGE OF SIX PRECEDING CYCLES

Months from Inflation Cycle Trough	Current Cycle Dates	CPI-U, Growth Rate		PPI, Fin. Gds., Growth Rate		Leading Inflation Index			JOC Industrial Materials Price Index Growth Rate		Purchasing Managers Price Survey Percent Reporting Increases*	
		Current Cycle	Average, 6 Cycles	Current Cycle	Average, 6 Cycles	Current Cycle 1967 =100	Current Cycle Trough Standing =100	Average, 6 Cycles, Trough Standing =100	Current Cycle	Average, 6 Cycles	Current Cycle	Average, 6 Cycles
-6	10/85	3.2	2.6	0.8	2.3	105.9	98.5	98.6	-4.5	-4.0	46.0	57.1
0	4/86	0.5	1.0	-3.9	-0.1	107.3	99.8	99.8	-19.3	-0.2	45.0	57.0
+6	10/86	1.5	1.8	-0.6	1.5	109.3	101.7	103.6	-1.7	2.1	56.5	71.8
+9	1/87	2.9	2.9	1.3	3.3	113.2	105.3	108.9	12.5	6.5	63.0	75.0
+10	2/87	3.7	3.2	1.6	3.7	113.6	105.7	110.1	12.5	8.3	62.5	79.8
+11	3/87	3.9	3.5	2.4	4.1	113.7	105.8	111.7	12.1	9.7	63.0	79.8
+12	4/87	-	3.7	-	4.5	-	-	112.8	-	9.0	-	75.7
+18	10/87	-	5.3	-	6.4	-	-	117.1	-	12.5	-	75.1
+24	4/88	-	5.9	-	5.9	-	-	115.5	-	3.8	-	72.3

*Including one-half those reporting no change.

Note: The six preceding inflation cycle trough dates are 7/49, 10/54, 6/61, 5/67, 6/72 and 6/76. Trough standings are three-month averages centered on the trough dates.

One difference between Chart A and the corresponding chart in December is that we have now removed three of the previous upswings from the average patterns. All three lasted less than a year, so they are now irrelevant for comparison with the present situation. The average patterns for the remaining six upswings naturally show a bigger rise than the average for the nine. As of March 1987, the six-month smoothed growth rate in the CPI was 3.9%, slightly above the new average, and its rise to that point has been faster. Partly, at least, this reflects a recovery from the low levels of gas and oil prices last spring and summer. When energy prices are excluded from the CPI the March growth rate is 4.3% but its rise to that point is less dramatic.

The producer price index growth rate, also shown in Chart A, started its upswing at the same time as the CPI rate, as it usually does. It rose from a negative rate of -3.9% in April 1986 to a positive rate of 2.4% in March 1987. The March rate is below the average for the previous six inflation upswings, but the gap is narrowing.

The survey of prices paid by members of the National Association of Purchasing Managers indicates that buyers of materials and supplies for their companies are well aware of the rising inflation rate. The Journal of Commerce daily index of industrial materials prices clearly supports this view. As of April 22 its annualized growth rate was 18.3%, a level that had not been reached since 1979. The acceleration has been widespread, with most of the 18 industrial materials participating. As of April 22 the annualized growth rates in the three sub-indexes were: textiles, 12.3%; metals, 7.9%; miscellaneous (including crude oil), 28.6%.*

The CIBCR leading inflation index also has been moving up, starting from its low in September 1985, seven months before the low in the CPI rate. The rise has been more subdued than the six-cycle average pattern, but so far there has been no indication of a reversal.

A considerable portion of this inflationary upswing is due to the decline in the dollar and its impact on import prices. The advance in the growth rate of import prices excluding fuels dates from the first quarter of 1985, when the dollar exchange rate began to fall. Chart A shows that import price growth rates in the 8 to 10% range have prevailed since early 1986.

Labor costs per unit of output in nonfarm industries have in the past been a lagging indicator of inflation, with the growth rate in costs beginning to rise some six months or so after the CPI rate turns up. In the current upswing the two rates appear to be more nearly coincident, although the latest data we have on costs is for IV 1986. The available monthly data on nonfarm average hourly earnings show only a modest advance in this element of labor costs between IV 86 and I 87, and this will doubtless be offset by a gain in nonfarm output. If so, the lagging tendency of this factor will reassert itself.

In short, although the inflation upswing still lacks some of its usual underpinnings, it will bear watching as it travels its cyclical path.

Real GNP Moves Up

The 4.3% growth rate in real GNP in the first quarter was a pleasant surprise, but a large part of it was due to the way the net export deficit is deflated. The rest of real GNP, which is called gross domestic purchases, had a growth rate of 2.7%. The next export deficit in current dollars actually increased slightly, from -110.2 billion dollars at annual rate to -112.0. Hence this component of current dollar GNP made it go up less rapidly than gross domestic purchases. In current dollars GNP rose by 80.5 billion whereas gross domestic purchases rose by 82.3 billion. The difference is exactly equal to the increase in the trade deficit. But in real terms the deficit did not increase -- it was reduced. At least, that's the way the calculation worked (see Table B).

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*The growth rates available daily are roughly equivalent to the six-month smoothed rates used elsewhere in this report. They are based on the ratio of the current daily index to the average index over the preceding 250 working days, raised to an annual rate by squaring the ratio.

TABLE B. ALTERNATIVE MEASURES OF REAL GNP, NET EXPORTS AND PRICES

1. Quarterly and Annual Levels

	IV85	I86	II86	III86	IV86	I87	1985	1986
GNP in current dollars (bil., ann. rate)								
1. Gross domestic purchases	4193.0	4242.9	4280.1	4349.6	4368.9	4451.2	4077.0	4310.4
2. Exports	368.2	374.8	363.0	370.8	383.5	384.8	369.7	373.0
3. Imports	473.6	468.5	467.5	479.7	493.7	496.8	448.6	477.4
4. Net exports (2-3)	-105.3	-93.7	-104.5	-108.9	-110.2	-112.0	-78.9	-104.3
5. Total GNP (1+4)	4087.7	4149.2	4175.6	4240.7	4258.7	4339.2	3998.1	4206.0
GNP in 1982 dollars (bil., ann. rate)								
6. Gross domestic purchases	3754.3	3781.8	3815.2	3849.7	3844.1	3869.4	3693.4	3822.7
7. Exports	362.9	369.2	359.8	371.2	385.8	384.2	362.3	371.5
8. Imports	494.8	495.1	513.6	534.5	533.8	518.4	470.5	519.2
9. Net exports, Commerce (7-8)	-132.0	-125.9	-153.6	-163.3	-148.0	-134.2	-108.2	-147.8
10. Net exports, CIBCR (4 13)	-94.3	-83.5	-93.1	-96.4	-96.9	-97.4	-71.3	-92.5
11. Real GNP, Commerce (6+9)	3622.3	3655.9	3661.4	3686.4	3696.1	3735.2	3585.2	3675.0
12. Real GNP, CIBCR (6+10)	3660.0	3698.3	3722.1	3753.3	3747.2	3772.0	3622.0	3730.2
Implicit Price Deflators (1982=100)								
13. Gross domestic purchases (1 6)	111.7	112.2	112.2	113.0	113.7	115.0	110.4	112.8
14. Exports (2 7)	101.5	101.5	100.9	99.9	99.4	100.2	102.0	100.4
15. Imports (3 8)	95.7	94.6	91.0	89.7	92.5	95.8	95.3	91.9
16. Net exports, Commerce (4 9)	79.8	74.4	67.9	66.7	74.5	83.5	72.9	70.6
17. Net exports, CIBCR (same as 13)	111.7	112.2	112.2	113.0	113.7	115.0	110.4	112.8
18. Real GNP, Commerce (5 11)	112.8	113.5	114.0	115.0	115.2	116.2	111.5	114.4
19. Real GNP, CIBCR (same as 13)	111.7	112.2	112.2	113.0	113.7	115.0	110.4	112.8

2. Percent Changes at Annual Rate

	IV85 -I86	I86 -II86	II86 -III86	III86 -IV86	IV86 -I87	1985 -1986
GNP in current dollars						
1. Gross domestic purchases	4.8	3.6	6.7	1.8	7.8	5.7
2. Exports	7.4	-12.0	8.9	14.4	1.4	0.9
3. Imports	-4.2	-0.9	10.9	12.2	2.5	6.4
4. Net exports (2-3)	+37.3	-54.7	-17.9	-4.9	-6.7	-32.2
5. Total GNP (1+4)	6.2	2.6	6.4	1.7	7.8	5.2
GNP in 1982 dollars						
6. Gross domestic purchases	3.0	3.6	3.7	-0.6	2.7	3.5
7. Exports	7.1	-9.8	13.3	16.7	-1.6	2.5
8. Imports	0.2	15.8	17.3	-0.5	-11.1	10.4
9. Net exports, Commerce (7-8)	+17.2	-122.7	-27.1	+32.5	+32.4	-36.6
10. Net exports, CIBCR (4 13)	+38.5	-54.5	-14.9	-2.1	-2.1	-29.7
11. Real GNP, Commerce (6+9)	3.8	0.6	2.8	1.1	4.3	2.5
12. Real GNP, CIBCR (6+10)	4.3	2.6	3.4	-0.6	2.7	3.0
Implicit Price Deflators						
13. Gross domestic purchases (1 6)	1.8	0.0	2.9	2.5	4.7	2.2
14. Exports (2 7)	0.0	-2.3	-3.9	-2.0	3.3	-1.6
15. Imports (3 8)	-4.5	-14.4	-5.6	13.1	15.1	-3.6
16. Net exports, Commerce (4 9)	-24.3	-30.6	-6.9	55.6	57.8	-3.2
17. Net exports, CIBCR (same as 13)	1.8	0.0	2.9	2.4	5.0	2.2
18. Real GNP, Commerce (5 11)	2.5	1.8	3.6	0.7	3.5	2.6
19. Real GNP, CIBCR (same as 13)	1.8	0.0	2.9	2.5	4.7	2.2

In 1982 dollars, by the Commerce Department's calculation, the net export deficit declined from -148.0 billion in IV 1986 to -134.2 billion in I 1987. Gross domestic purchases in 1982 dollars rose by 25.3 billion. Add to this the 13.8 billion decline in the deficit and you get the increase in real GNP: 39.1 billion. The drop in the deficit accounted for more than a third of the GNP increase.

How can a 1.8 billion increase in the current dollar deficit become a 13.8 billion decline in the "real" deficit? To avoid this anomaly, in previous issues of RRW we have advocated deflating net exports by the same implicit price deflator that is used to deflate the rest of GNP, namely the implicit price deflator for gross domestic purchases. The effect in this instance is to make the rise in the deficit somewhat smaller in 1982 dollars than in current dollars, but not to make it decline. The real GNP growth rate on this basis is 2.7% in the first quarter, the same as in gross domestic purchases because the effect of the trade deficit was negligible.

At the same time, the implicit price deflator for GNP by our way of reckoning rose at the annual rate of 4.7% in the first quarter, substantially faster than the 3.5% reported by the Commerce Department. In short, our figures show that more of the growth in current dollar GNP was due to inflation than to real growth, whereas the official figures show the opposite. How the trade balance is deflated makes a lot of difference.

Unemployment Forecasts

About three years ago the Monthly Labor Review carried an article on forecasting unemployment with the CIBCR's leading employment index.* The year-to-year percentage point change in the civilian unemployment rate was forecast by using the six-month smoothed growth rate in the leading employment index for, alternatively, the preceding October, or November, or December. We are now in a position to check the accuracy of this method on subsequent data, and to examine what the index says about 1987.

We shall use the same regression equations that were published in the 1983 article, although the leading index has since been revised to include a new measure of the layoff rate. Moreover, since that article appeared we have developed a different method of using the leading index to forecast unemployment, focusing on six months ahead rather than a year ahead.** Leaving the new method aside, the forecasts based on the 1983 equations are shown in Chart B, using the leading index figures for the preceding November.

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*Moore, Geoffrey H. Using a Leading Employment Index to Forecast Unemployment, Monthly Labor Review, May 1983, pp. 30-32.

**Moore, Geoffrey H., Forecasting Unemployment with the Leading Employment Index, Economic Forecasts: A Worldwide Survey, Elsevier Science Publishers, Amsterdam, December 1985.

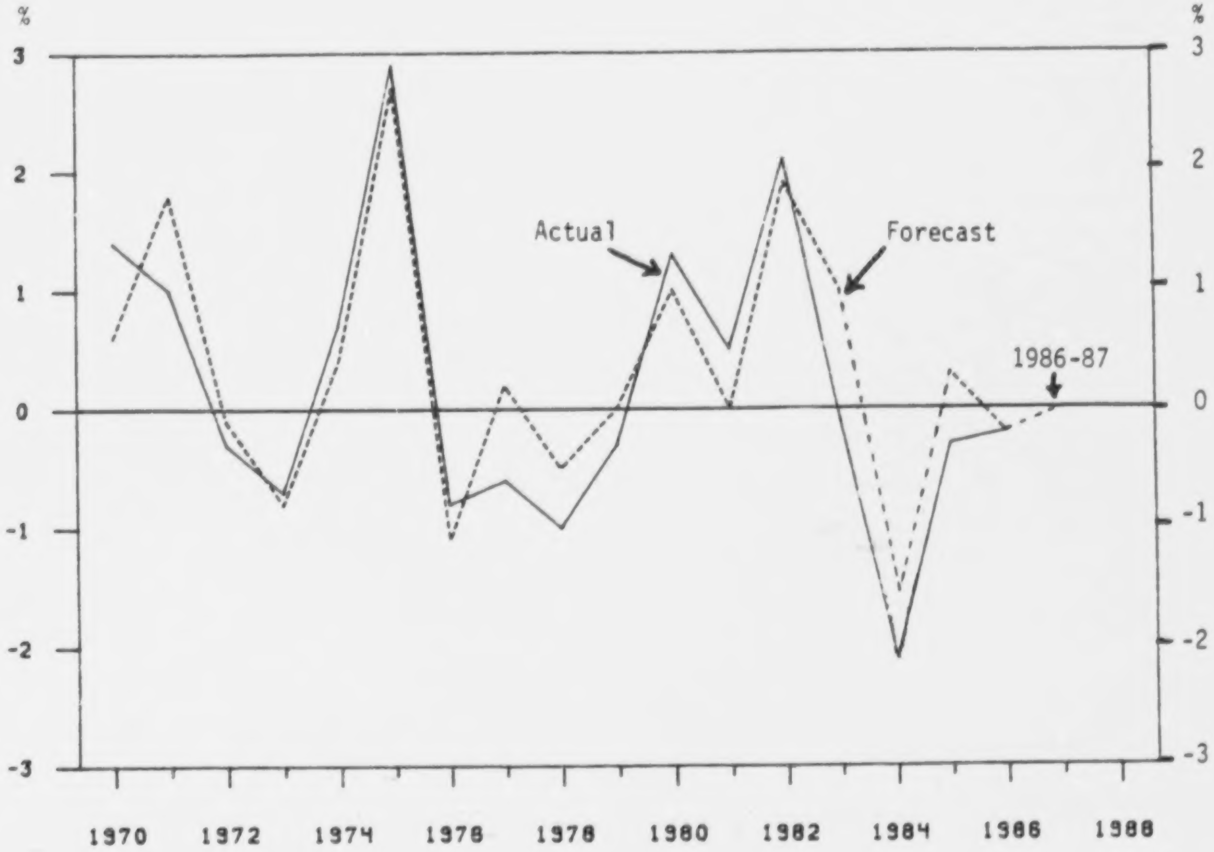
The 1983 forecast did not turn out well. Unemployment actually declined slightly, from 9.7% in 1982 to 9.6% in 1983. The October 1982 forecast, as published in the 1983 article, was for an increase of 1.6 percentage points. The November 1982 forecast projected a smaller increase, 1.0, and the December 1982 forecast was still smaller, 0.6. The leading index was late in arriving at an optimistic view of the prospects for 1983.

In the following three years, however, the forecasts were generally more accurate. For the four-year out-of-sample period as a whole, the mean absolute errors are about one-half percentage point, quite similar to the average errors for the sample period 1969-82. Also, the correlations (r^2) based on the four-year period are similar to those for the previous thirteen-year period. The relationship accounts for about 80% of the variation in the yearly changes in unemployment.

For 1987 the forecast based on the October 1986 leading index indicated a 0.2% decline from 1986, or from 6.9% in 1986 to 6.7% in 1987. The November and December forecasts were for no change, 1986-1987. Since the growth rate in the leading index has continued to rise during the first three months of 1987, the prospects for a lower unemployment rate in 1987 than in 1986 are better than they were late last year. Indeed, for the first three months of 1987 the unemployment rate averaged 6.7%, and for the next six months the projected average rate is 6.3%, using the six-month forecasting procedure mentioned above. The mean absolute error for this type of forecast, based on the record for 1949-85, is 0.3 percentage points.

CHART B.

ACTUAL AND FORECAST YEAR-TO-YEAR CHANGE IN UNEMPLOYMENT RATE



Note:. The forecast change in the yearly average unemployment rate is based on a regression fitted to 13 annual observations, 1969-70 to 1981-82, using the preceding November's six-month smoothed growth rate in the Leading Employment Index.

RECESSION-RECOVERY SERIES AND CHARTS

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The series numbers of indicators that are reported in Business Conditions Digest are noted above. Readers may wish to consult the 1984 Handbook of Cyclical Indicators for further information on particular time series. The letter symbols L, C, Lg and U identify the timing classification of the series with respect to business cycles, as shown in Business Conditions Digest. L = leading, C = coincident, Lg = lagging, and U = unclassified because of inconsistency in timing. The three letters in parentheses refer to peaks, troughs and to peaks and troughs, respectively. When the series we use is similar to but not identical with the BCD series, the BCD classification has been used. In the case of growth rates, we show the classification only where a similar growth rate for the same or similar series is classified in BCD.

A GUIDE TO RECESSION-RECOVERY WATCH TABLES

As readers of Recession-Recovery Watch know, the record of previous business cycle expansions provides a guide to the future prospects of the current expansion. The idea is, of course, incorporated in the Recession-Recovery Watch pattern charts and tables.

The tables cover more than sixty indicators and give the information needed to analyze the indicators from three viewpoints: the current expansion, two very long expansions since 1961, and the average of the two very long expansions. The two very long expansions are: 1961-69, (106 months) and 1975-80 (58 months). The expansions that are excluded from the averages covered the following periods: 1949-53, 45 months; 1954-57, 39 months; 1958-60, 24 months; 1970-73, 36 months; 1980-81, 12 months.

The figures show the most recent position of the indicator compared with its position the same number of months after the start of each of the previous expansions. That is, if the latest figure is for, say, November 1985, which is 36 months after the November 1982 business cycle trough, all the entries for that indicator will be for 36 months after the troughs of previous cycles.

Series that are expressed as growth rates, changes, or ratios appear as actual values (Table 1) and as differences from business cycle troughs standings (Table 3). All other series are expressed as percentages of business cycle trough standings (Table 2). The standing is a three month average centered on the trough month. In the case of quarterly series the trough standing is the figure for the business cycle trough quarter. The monthly and quarterly trough dates are those established by the National Bureau of Economic Research.

The tables pinpoint the most recent month available for each indicator, and compare it with the corresponding point in each of the previous expansions.

A more comprehensive set of tables, the 1986 Supplement, has also been constructed by the Center. It includes sixty-three indicators and covers each month of the three long expansions since 1948, starting 11 months before the trough and ending five years after the trough. The average recovery is also shown for each month of the six-year span. Hence, one can use the figures to construct charts, to update comparisons month by month, to analyze changes during the later years of expansion, or to compare forecasts for the current expansion with what happened in previous expansions.

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TABLE 1

RECESSION-RECOVERY STATUS UP TO 52 MONTHS AFTER THE BUSINESS CYCLE TROUGH
Actual Levels

		UNIT	Months After Business cycle Trough	Expansions Starting Feb. 1961	Expansions Starting Mar. 1975	Average (1961, 1975)	Current Expansion Starting Nov. 1982	Last Month or Quarter Available
I.	Composite Indexes							
6.	BUSINESS WEEK LEADING INDEX, GROWTH RATE	%	52	2.6	3.6	3.1	16.6	MAR
6A.	N.A.P.M. INDEX, GROWTH RATE	%	52	5.9	2.0	3.9	4.9	MAR
7.	LEADING EMPLOYMENT INDEX, GROWTH RATE	%	52	7.4	1.9	4.6	5.6	MAR
8.	COINCIDENT EMPLOYMENT INDEX, GROWTH RATE	%	52	8.7	6.2	7.5	5.9	MAR
9.	LEADING INDEX, GROWTH RATE.	%	51	5.5	-0.9	2.3	7.2	FEB
10.	COINCIDENT INDEX, GROWTH RATE	%	51	9.1	3.2	6.1	1.5	FEB
11.	DIFFUSION INDEX OF LEADING INDICATORS	% RISING	52	77.0	50.0	63.5	86.0	MAR
13.	RATIO, COINCIDENT TO LAGGING INDEX	1967=100	51	97.9	123.1	110.5	123.7	FEB
15.	EIGHT-COUNTRY LEADING INDEX, GROWTH RATE	%	50	-0.6	10.2	4.8	7.6	JAN
II.	Output, Income and Sales							
17.	REAL GNP GROWTH RATE	%	170	5.8	1.2	3.5	2.6	Q1
III.	Employment and Unemployment							
23.	EMPLOYMENT TO POPULATION RATIO	%	52	56.8	60.4	58.6	61.5	MAR
28.	EMPLOYMENT DIFFUSION INDEX, 186 INDUS.	% RISING	52	81.1	63.7	72.4	60.8	MAR
29.	UNEMPL. SEVERITY INDEX	WEEKS PER 100 IN LABOR FORCE	52	51.0	57.7	54.4	96.9	MAR
30.	UNEMPLOYMENT RATE: TOTAL	%	52	4.4	5.6	5.0	6.5	MAR
31.	UNEMPLOYMENT RATE: INSURED	%	52	2.9	2.8	2.8	2.6	MAR
33.	SHORT-DURATION UNEMPLOYMENT RATE	%	52	3.5	4.6	4.0	4.8	MAR
34.	LAYOFF RATE UNDER 5 WEEKS (TIMES 10)	%	52	3.3	4.5	3.9	5.0	MAR
35.	PART-TIME EMPLOYMENT RATIO	%	52	3.7	3.7	3.7	2.6	MAR
IV.	Investment Commitments and Inventories							
42.	INVENTORY/SALES RATIO (TIMES 10)	%	50	14.1	15.6	14.9	15.6	JAN
43.	CHANGE IN INVENTORIES ON HAND & ON ORDER	BIL. 82$.	50	33.7	30.4	32.0	4.7	JAN
V.	Productivity, Wages, Costs, Prices and Profits							
44.	OUTPUT PER HOUR, GROWTH RATE	%	160	1.6	-0.8	0.4	-0.5	Q4
45.	UNIT LABOR COSTS, GROWTH RATE	%	160	1.3	10.6	5.9	3.0	Q4
46.	HOURLY COMPENSATION, GROWTH RATE	%	160	2.7	9.7	6.2	2.6	Q4
47.	REAL HOURLY COMPENSATION, GROWTH RATE	%	160	1.6	0.0	0.8	0.8	Q4
48.	SELLING PRICE INDEX, GROWTH RATE	%	160	2.8	8.5	5.6	2.3	Q4
49.	GROWTH IN PRICES MINUS GROWTH IN COSTS	% POINTS	160	1.5	-2.1	-0.3	-0.7	Q4
50.	CORPORATE PROFIT MARGIN	%	160	13.5	7.5	10.5	7.8	Q4
51.	PRICE/LABOR COST RATIO	1977=100	160	101.6	98.2	99.9	98.3	Q4
55.	CONSUMER PRICE INDEX, GROWTH RATE	%	52	2.4	12.3	7.3	3.9	MAR
57.	INDUSTRIAL MAT. PRICE INDEX, GROWTH RATE	%	52	2.2	12.6	7.4	12.1	MAR
58.	IMPORT PRICES EXCL. FUELS, GROWTH RATE	%	49	2.5	11.1	6.8	6.9	Q4(DEC)
59.	ANTICIPATED SELLING PRICES (D&B SURVEY)	% RISING	49	60.0	90.0	75.0	62.0	Q4(DEC)
VI.	Money, Credit, Interest Rates and Stock Prices							
60.	BUSINESS & CONSUMER DEBT, GROWTH RATE	%	51	12.8	15.2	14.0	7.0	FEB
61.	FEDERAL DEBT, GROWTH RATE	%	52	1.5	5.9	3.7	11.0	MAR
62.	TOTAL DEBT, GROWTH RATE	%	51	8.4	12.7	10.5	8.6	FEB
63.	MONEY SUPPLY (M1), GROWTH RATE	%	52	3.1	9.2	6.1	13.3	MAR
64.	MONEY SUPPLY (M2), GROWTH RATE	%	52	7.4	9.1	8.2	7.1	MAR
65.	TREASURY BILL RATE (3-MONTH)	%	52	3.8	9.2	6.5	5.6	MAR
66.	NEW CORPORATE BOND YIELD (AA)	%	52	4.6	9.5	7.0	8.7	MAR

TABLE 2

RECESSION-RECOVERY STATUS UP TO 52 MONTHS AFTER THE BUSINESS CYCLE TROUGH
Percentage Change from Trough Levels

	Months After Business Cycle Trough	Expansions Starting FEB. 1961	Expansions Starting MAR. 1975	Average (1961, 1975)	Current Expansion Starting Nov. 1982	Last Month or Quarter Available
I. Composite Indexes						
1. BUSINESS WEEK LEADING INDEX (CIBCR)	52	28.0	32.4	30.2	49.5	MAR
1A. N.A.P.M. INDEX	52	33.7	32.3	33.0	20.8	MAR
2. LEADING EMPLOYMENT INDEX (CIBCR)	52	31.8	26.8	29.3	30.1	MAR
3. COINCIDENT EMPLOYMENT INDEX (CIBCR)	52	29.7	41.7	35.7	36.4	MAR
4. LEADING INDEX (BCD)	51	33.4	34.7	34.0	34.0	FEB
5. COINCIDENT INDEX (BCD)	51	31.1	32.5	31.8	25.0	FEB
12. LAGGING INDEX (BCD)	51	17.6	4.0	10.8	13.3	FEB
14. EIGHT-COUNTRY LEADING INDEX (CIBCR)	50	6.2	23.6	14.9	21.9	JAN
II. Output, Income and Sales						
16. REAL GNP	170	23.6	20.3	22.0	18.2	Q1
18. INDUSTRIAL PRODUCTION INDEX	52	42.1	33.6	37.8	26.0	MAR
19. REAL PERSONAL INCOME	51	21.9	18.3	20.1	14.4	FEB
20. REAL CONSUMER EXPENDITURES	51	21.2	18.2	19.7	18.3	FEB
21. REAL RETAIL SALES	51	23.6	20.5	22.1	23.0	FEB
III. Employment and Unemployment						
22. TOTAL EMPLOYMENT	52	7.9	15.8	11.8	12.2	MAR
24. NONFARM EMPLOYMENT	52	13.4	17.8	15.6	15.0	MAR
25. NONFARM EMPLOYEE-HOURS	52	13.9	17.1	15.5	15.9	MAR
26. EMPLOYMENT IN GOODS-PRODUCING INDUSTRIES.	52	11.4	18.2	14.8	8.7	MAR
27. EMPLOYMENT IN SERVICE-PRODUCING INDUSTRIES	52	14.5	17.6	16.0	17.2	MAR
32. INITIAL CLAIMS, UNEMPLOYMENT INSURANCE	52	-44.0	-28.8	-36.4	-42.4	MAR
36. AVERAGE WORKWEEK, MANUFACTURING	52	4.6	3.2	3.9	5.0	MAR
37. OVERTIME HOURS, MANUFACTURING	52	71.4	41.7	56.5	60.9	MAR
IV. Investment Commitments and Inventories						
38. NEW PRIVATE HOUSING STARTS	52	20.0	81.9	51.0	38.3	MAR
39. NEW PRIVATE HOUSING PERMITS	52	22.4	87.3	54.8	39.5	MAR
40. CONTRACT & ORDERS, PLANT & EQUIPMENT	51	49.4	53.8	51.6	25.9	FEB
41. NEW CAPITAL APPROPRIATIONS, MANUFACTURING	160	93.5	41.5	67.5	6.7	Q4
V. Productivity, Wages, Costs, Prices and Profits						
52. LARGE BUSINESS FAILURES	52	21.5	-5.4	8.0	22.7	MAR
53. LEADING INDEX OF INFLATION (CIBCR)	52	10.1	19.1	14.6	18.4	MAR
54. CONSUMER PRICE INDEX, ALL URBAN CONSUMERS	51	5.5	36.8	21.1	14.3	FEB
56. INDUSTRIAL MATERIALS PRICE INDEX	52	7.3	31.9	19.6	2.9	MAR
VI. Money, Credit, Interest Rates and Stock Prices						
67. STOCK PRICE INDEX (S&P 500)	52	37.2	23.9	30.5	113.9	MAR

TABLE 3

RECESSION-RECOVERY STATUS UP TO 52 MONTHS AFTER THE BUSINESS CYCLE TROUGH
Differences from Trough Levels

		Unit	Months After Business Cycle Trough	Expansions Starting FEB. 1961	Expansions Starting MAR. 1975	Average (1961, 1975)	Current Expansion Starting Nov. 1982	Last Month or Quarter Available
I.	Composite Indexes							
6.	BUSINESS WEEK LEADING INDEX, GROWTH RATE	%	52	-3.9	8.9	2.5	12.1	MAR
6A.	N.A.P.M. INDEX, GROWTH RATE	%	52	6.0	19.7	12.8	8.1	MAR
7.	LEADING EMPLOYMENT INDEX, GROWTH RATE	%	52	9.6	11.8	10.7	4.8	MAR
8.	COINCIDENT EMPLOYMENT INDEX, GROWTH RATE	%	52	16.7	22.9	19.8	13.8	MAR
9.	LEADING INDEX, GROWTH RATE.	%	51	4.2	12.6	8.4	2.6	FEB
10.	COINCIDENT INDEX, GROWTH RATE	%	51	15.9	18.3	17.1	8.3	FEB
11.	DIFFUSION INDEX OF LEADING INDICATORS	% RISING	52	40.3	32.3	36.3	39.3	MAR
13.	RATIO, COINCIDENT TO LAGGING INDEX	1967=100	51	10.1	26.5	18.3	11.5	FEB
15.	EIGHT-COUNTRY LEADING INDEX, GROWTH RATE	%	50	-4.2	22.3	9.1	8.2	JAN
II.	Output, Income and Sales							
17.	REAL GNP GROWTH RATE	%	170	5.2	6.2	5.7	3.7	Q1
III.	Employment and Unemployment							
23.	EMPLOYMENT TO POPULATION RATIO	%	52	0.5	3.9	2.2	3.8	MAR
28.	EMPLOYMENT DIFFUSION INDEX, 186 INDUS.	% RISING	52	60.8	49.6	55.2	39.8	MAR
29.	UNEMPL. SEVERITY INDEX	WEEKS PER 100 IN LABOR FORCE	52	-40.5	-43.5	-42.0	-87.2	MAR
30.	UNEMPLOYMENT RATE: TOTAL	%	52	-2.2	-2.7	-2.5	-4.0	MAR
31.	UNEMPLOYMENT RATE: INSURED	%	52	-3.4	-3.5	-3.4	-2.4	MAR
33.	SHORT-DURATION UNEMPLOYMENT RATE	%	52	-1.2	-1.4	-1.3	-1.7	MAR
34.	LAYOFF RATE UNDER 5 WEEKS (TIMES 10)	%	52	-3.1	-4.1	-3.6	-4.0	MAR
35.	PART-TIME EMPLOYMENT RATIO	%	52	2.0	0.9	1.4	0.7	MAR
IV.	Investment Commitments and Inventories							
42.	INVENTORY/SALES RATIO (TIMES 10)	%	50	-1.4	-1.7	-1.6	-1.5	JAN
43.	CHANGE IN INVENTORIES ON HAND & ON ORDER	BIL. 82$.	50	58.8	89.6	74.2	45.9	JAN
V.	Productivity, Wages, Costs, Prices and Profits							
44.	OUTPUT PER HOUR, GROWTH RATE	%	160	-0.2	-0.3	-0.2	-1.6	Q4
45.	UNIT LABOR COSTS, GROWTH RATE	%	160	0.0	-0.8	-0.4	-2.3	Q4
46.	HOURLY COMPENSATION, GROWTH RATE	%	160	-0.5	-1.4	-0.9	-3.9	Q4
47.	REAL HOURLY COMPENSATION, GROWTH RATE	%	160	-0.2	-0.2	-0.2	-1.4	Q4
48.	SELLING PRICE INDEX, GROWTH RATE	%	160	3.1	-4.7	-0.8	-2.0	Q4
49.	GROWTH IN PRICES MINUS GROWTH IN COSTS	% POINTS	160	3.1	-3.9	-0.4	0.3	Q4
50.	CORPORATE PROFIT MARGIN	%	160	4.3	1.8	3.1	3.9	Q4
51.	PRICE/LABOR COST RATIO	1977=100	160	5.0	1.0	3.0	2.9	Q4
55.	CONSUMER PRICE INDEX, GROWTH RATE	%	52	1.0	2.6	1.8	-0.1	MAR
57.	INDUSTRIAL MAT. PRICE INDEX, GROWTH RATE	%	52	6.9	25.7	19.3	16.3	MAR
58.	IMPORT PRICES EXCL. FUELS, GROWTH RATE	%	[illegible]	4.3	-4.5	-0.1	8.6	Q4(DEC)
59.	ANTICIPATED SELLING PRICES (D&B SURVEY)	% RISING	49	5.0	14.3	9.7	-5.7	Q4(DEC)
VI.	Money, Credit, Interest Rates and Stock Prices							
60.	BUSINESS & CONSUMER DEBT, GROWTH RATE	%	51	5.2	9.3	7.2	7.2	FEB
61.	FEDERAL DEBT, GROWTH RATE	%	52	2.0	-5.4	-1.7	-8.5	MAR
62.	TOTAL DEBT, GROWTH RATE	%	51	4.6	5.5	5.0	3.8	FEB
63.	MONEY SUPPLY (M1), GROWTH RATE	%	52	1.5	5.5	3.5	3.4	MAR
64.	MONEY SUPPLY (M2), GROWTH RATE	%	52	0.9	1.6	1.3	-2.7	MAR
65.	TREASURY BILL RATE (3-MONTH)	%	52	1.5	3.7	2.6	-2.3	MAR
66.	NEW CORPORATE BOND YIELD (AA)	%	52	0.1	0.1	0.1	-3.6	MAR

RECESSION-RECOVERY CHARTS

———— Current recovery to date (business cycle trough: November 1982 or IV Q 1982)

┼┼┼┼┼┼┼┼ Average of two very long recoveries (1961-69, 1975-80)

How to Read the Charts

The charts show how the current recovery, dated from November 1982, compares with the average previous recovery over the same length of time. They also show how the average previous recovery developed beyond the present point, and hence what a forecast based on that average would look like. Forecasts based upon other information can be evaluated against this background. One can see easily where new figures or forecasts would be placed.

The horizontal time scale in each chart shows the number of months before (-) or after (+) the business cycle trough (0). For the current cycle November 1982 is zero, May 1983 is Month 6, etc. The vertical scale on the left side of most charts is an index with the three-month average centered on the business cycle trough date equal to 100. This three-month average is called the trough standing. For the current cycle, the figures plotted are indexes with the October to December 1982 average equal to 100. Each of the previous cycles are converted to indexes in the same way, and then the corresponding months are averaged for the two very long cycles, 1961-80. Quarterly series (e.g., GNP) are treated in the same way as monthly except that quarterly business cycle trough dates are used and each quarter is plotted as a horizontal line for three months.

When the figures are percentages, ratios or changes (e.g., the unemployment rate or GNP growth rate, employment to population ratio, or change in inventories), the charts show actual levels of the data, rather than deviations from trough standings.

On all charts the right-hand scale applies to the current cycle. This scale shows how the averages for previous recoveries translate to current levels. The November 1982 trough standing for the current cycle is shown at the bottom of the chart for reference.

The averages, which extend out to four years after the trough, include the 1961-69 and 1975-80 recoveries, which lasted 106 and 58 months, respectively. The 1949-53, 1954-57, 1958-60, 1970-73 and 1980-81 recoveries, which lasted 45, 39, 24, 36 and 12 months respectively, are excluded to avoid including the subsequent recessions in the averages.

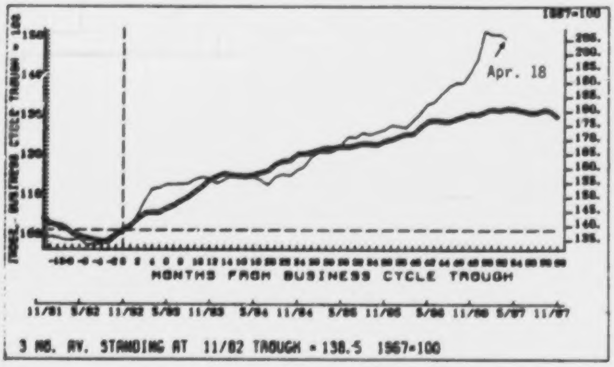
All the growth rates shown are six-month smoothed rates (or two-quarter smoothed), obtained by dividing the current month's figure by the average for the twelve preceding months, and expressing the result as a compound annual rate.

Data in some charts are a month or a quarter more up-to-date than in the preceding three tables.

In the charts, growth rate is abbreviated to "G.R."

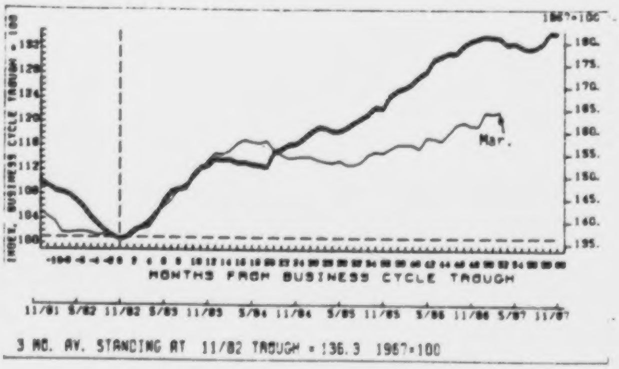
COMPOSITE INDEXES

1. BUSINESS WEEK LEADING INDEX (CIBCR)



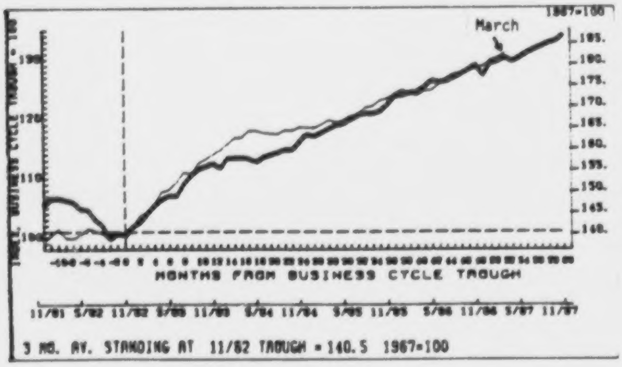
3 MO. AV. STANDING AT 11/82 TROUGH = 138.5 1967=100

1A. N.A.P.M. LEADING INDEX



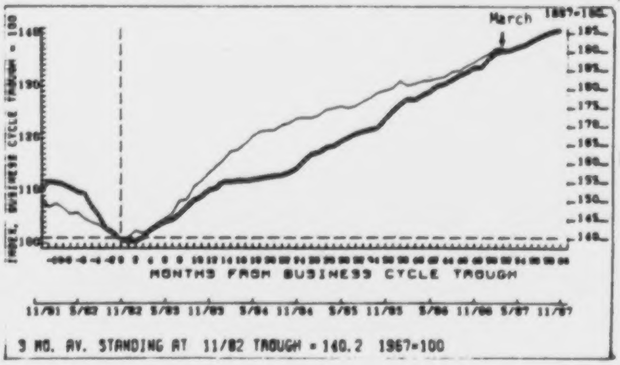
3 MO. AV. STANDING AT 11/82 TROUGH = 136.3 1967=100

2. LEADING EMPLOYMENT INDEX (CIBCR)



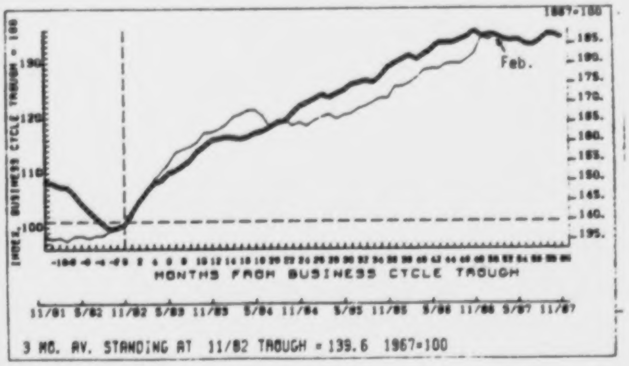
3 MO. AV. STANDING AT 11/82 TROUGH = 140.5 1967=100

3. COINCIDENT EMPLOYMENT INDEX (CIBCR)



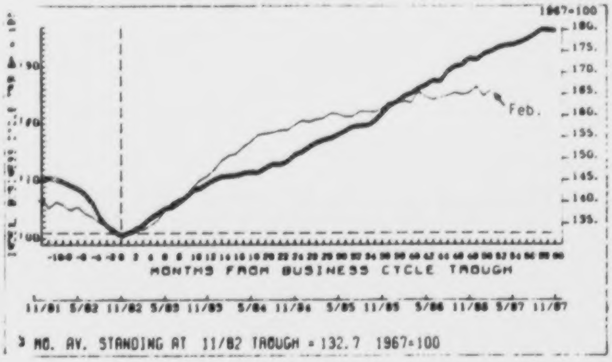
3 MO. AV. STANDING AT 11/82 TROUGH = 140.2 1967=100

4. LEADING INDEX (BCD)



3 MO. AV. STANDING AT 11/82 TROUGH = 139.6 1967=100

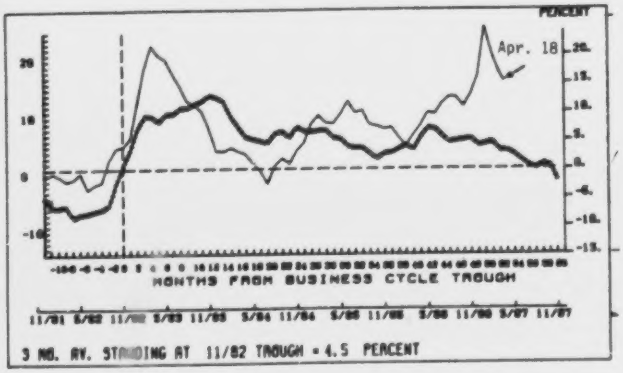
5. COINCIDENT INDEX (BCD)



3 MO. AV. STANDING AT 11/82 TROUGH = 132.7 1967=100

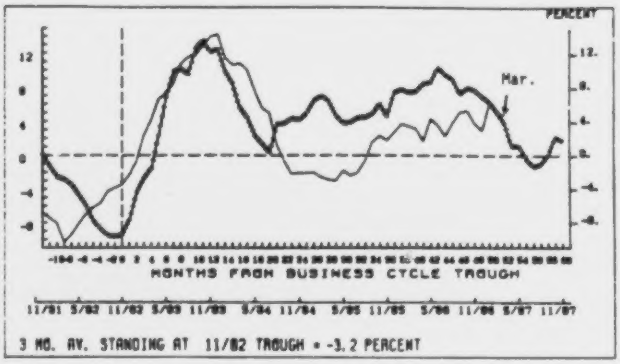
COMPOSITE INDEX GROWTH RATES

6. BUSINESS WEEK LEADING INDEX, G.R.



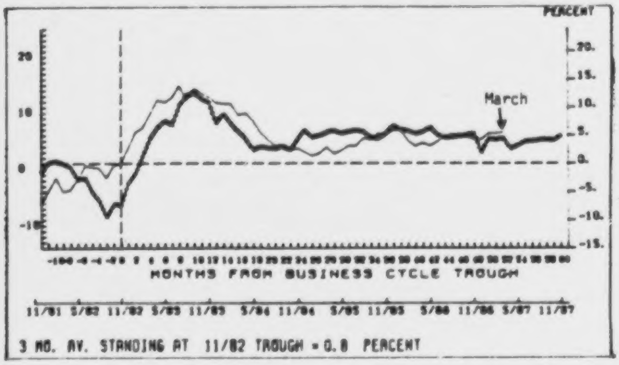
3 MO. AV. STANDING AT 11/82 TROUGH = 4.5 PERCENT

6A. N.A.P.M. LEADING INDEX, G.R.



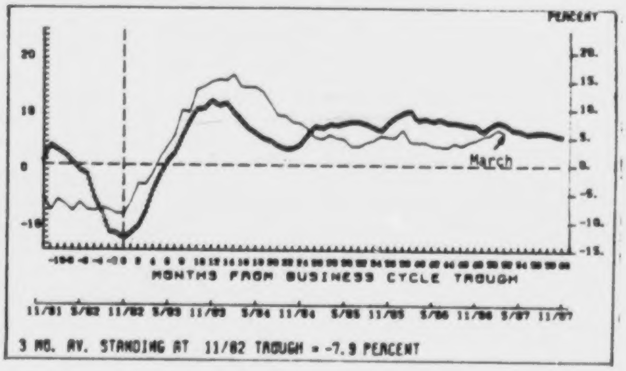
3 MO. AV. STANDING AT 11/82 TROUGH = -3.2 PERCENT

7. LEADING EMPLOYMENT INDEX, G.R.



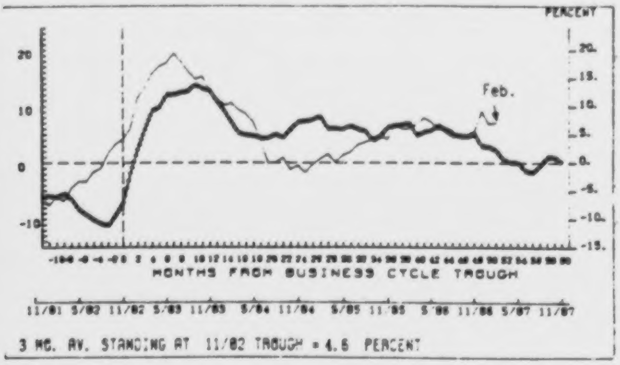
3 MO. AV. STANDING AT 11/82 TROUGH = 0.8 PERCENT

8. COINCIDENT EMPLOYMENT INDEX, G.R.



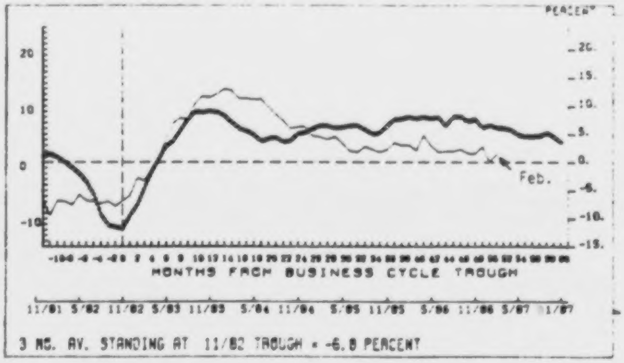
3 MO. AV. STANDING AT 11/82 TROUGH = -7.9 PERCENT

9. LEADING INDEX, G.R.(BCD)



3 MO. AV. STANDING AT 11/82 TROUGH = 4.6 PERCENT

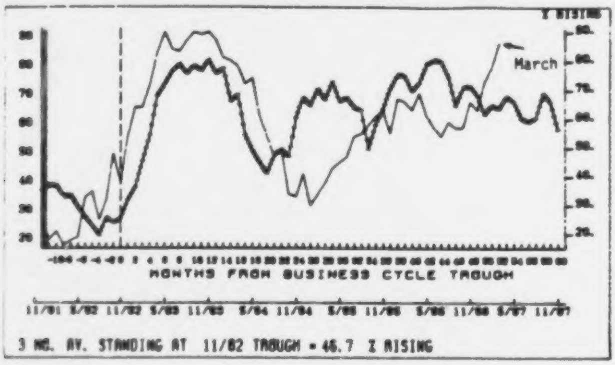
10. COINCIDENT INDEX, G.R.(BCD)



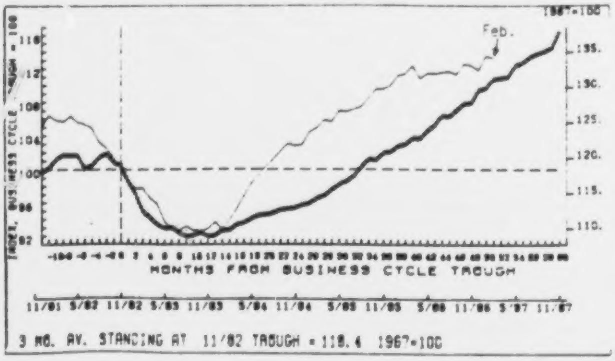
3 MO. AV. STANDING AT 11/82 TROUGH = -6.8 PERCENT

OTHER COMPOSITE INDEXES

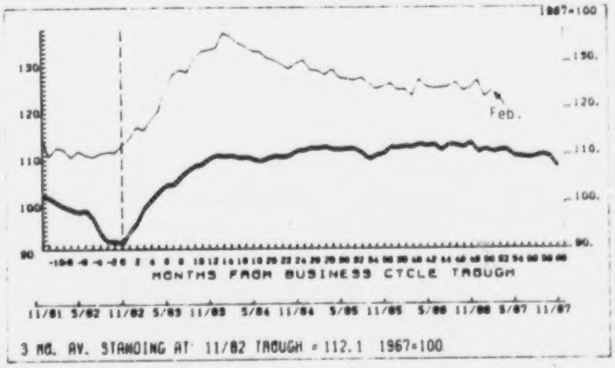
11. DIFFUSION INDEX OF LEADING INDICATORS (CIBCR)



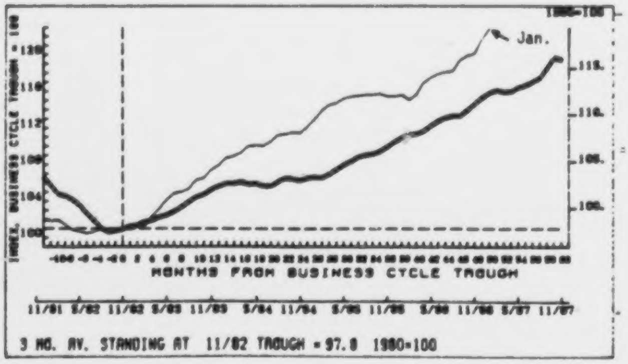
12. LAGGING INDEX (BCD)



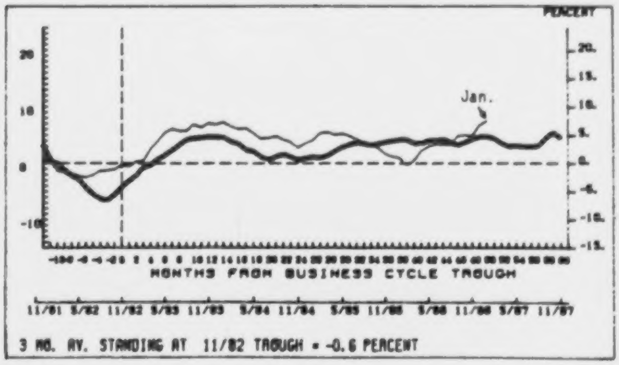
13. RATIO, COINC. TO LAGGING INDEX



14. 8-COUNTRY LEADING INDEX (CIBCR)*



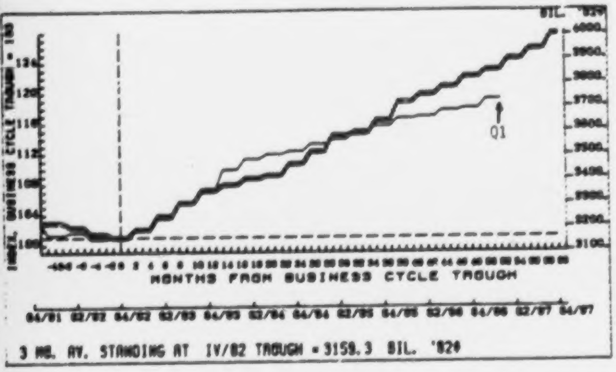
15. EIGHT-COUNTRY LEADING INDEX, G.R.



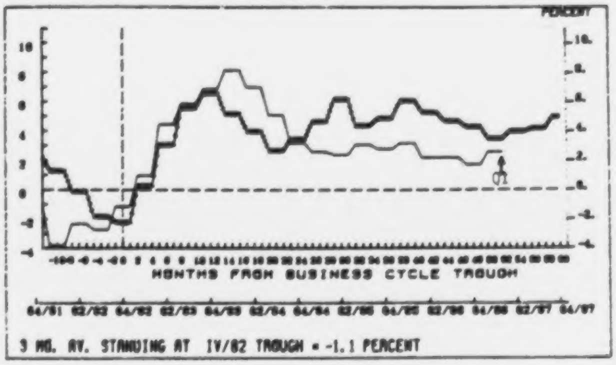
*Canada, United Kingdom, West Germany, France, Italy, Japan, Australia & Taiwan.

OUTPUT, INCOME AND SALES

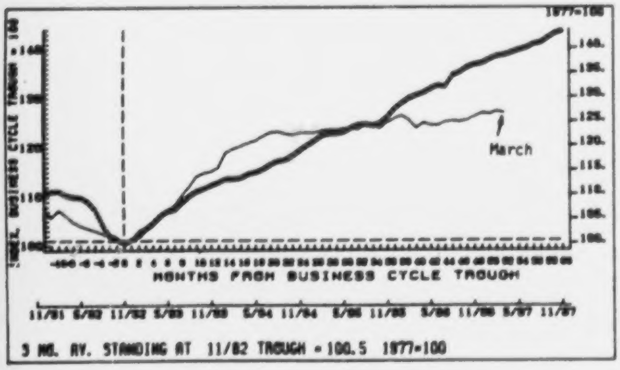
16. REAL GNP



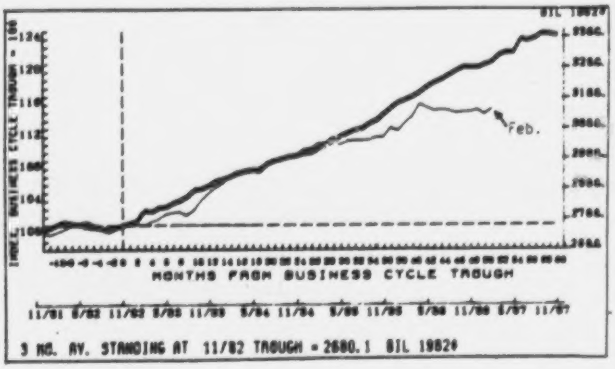
17. REAL GNP, GROWTH RATE



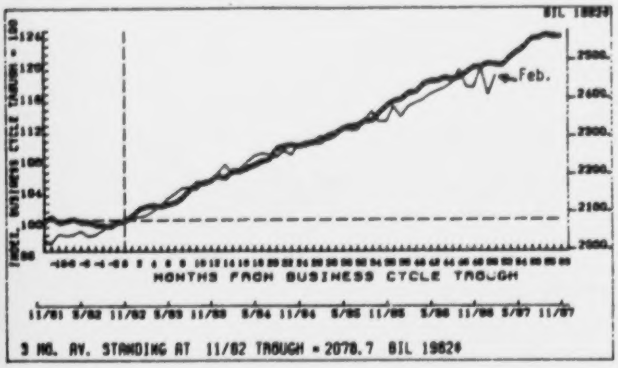
18. INDUSTRIAL PRODUCTION INDEX



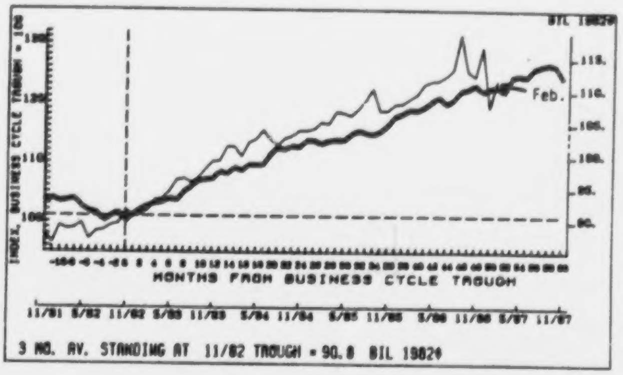
19. REAL PERSONAL INCOME



20. REAL CONSUMER EXPENDITURES

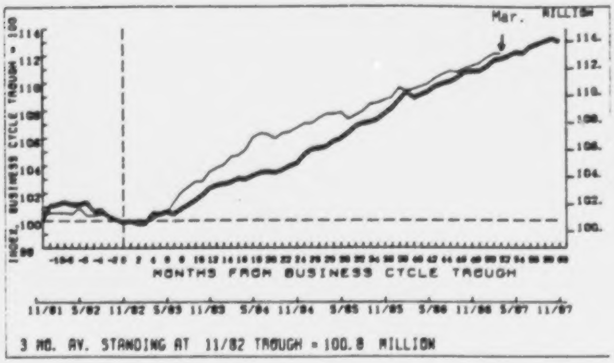


21. REAL RETAIL SALES



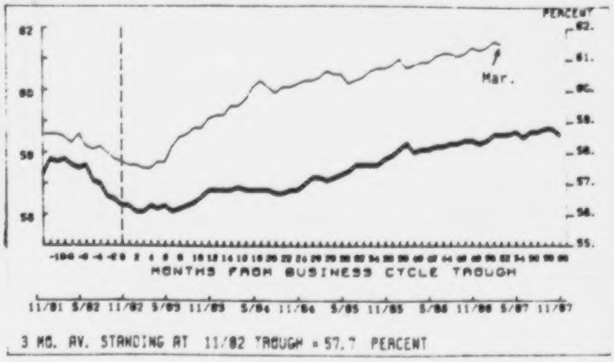
EMPLOYMENT

22. TOTAL EMPLOYMENT



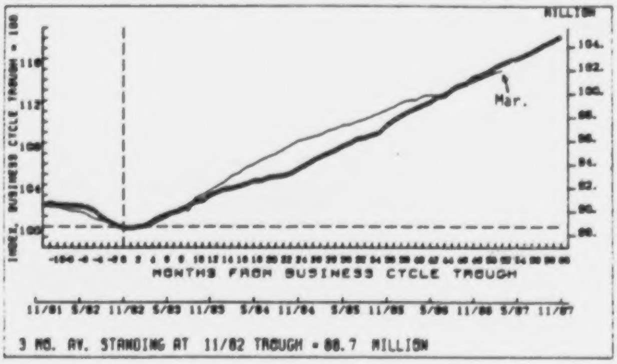
3 MO. AV. STANDING AT 11/82 TROUGH = 100.8 MILLION

23. EMPLOYMENT TO POPULATION RATIO



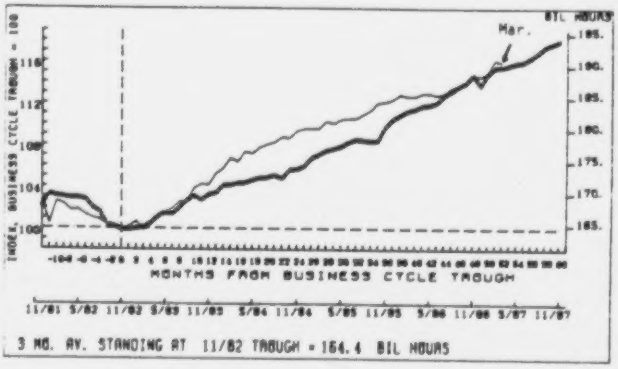
3 MO. AV. STANDING AT 11/82 TROUGH = 57.7 PERCENT

24. NONFARM EMPLOYMENT



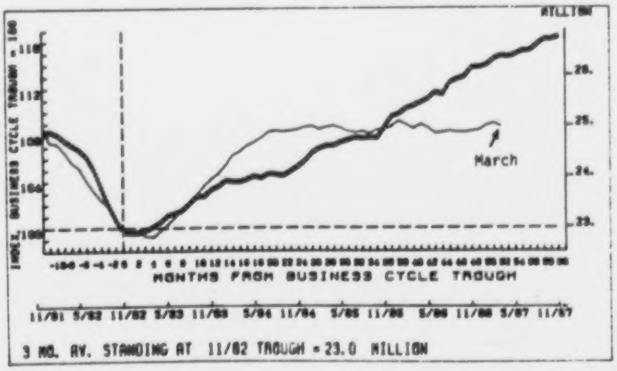
3 MO. AV. STANDING AT 11/82 TROUGH = 88.7 MILLION

25. NONFARM EMPLOYEE HOURS



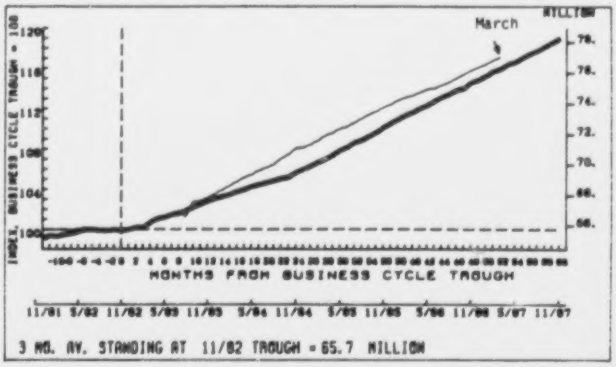
3 MO. AV. STANDING AT 11/82 TROUGH = 164.4 BIL HOURS

26. EMPLOYMENT IN GOODS-PROD. INDUS.



3 MO. AV. STANDING AT 11/82 TROUGH = 23.0 MILLION

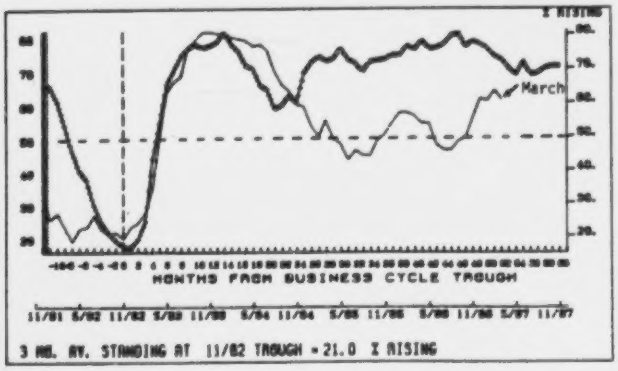
27. EMPLOYMENT IN SERVICE-PROD. INDUS.



3 MO. AV. STANDING AT 11/82 TROUGH = 65.7 MILLION

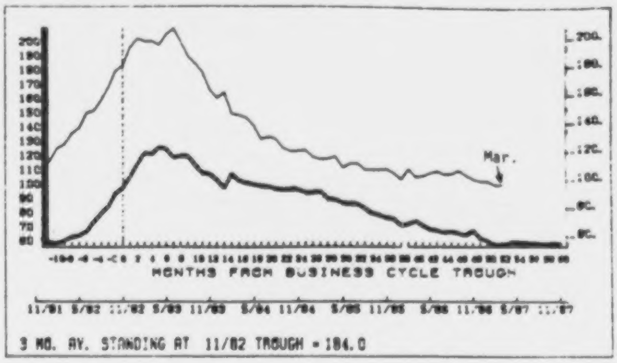
UNEMPLOYMENT

28. EMPLOY. DIFFUS. INDEX, 186 INDUS.



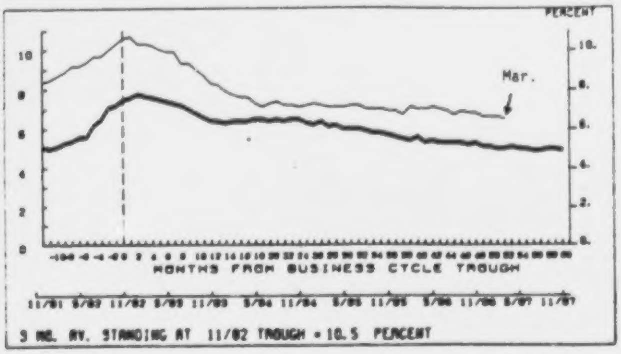
3 MO. AV. STANDING AT 11/82 TROUGH = 21.0 % RISING

29. UNEMPLOYMENT SEVERITY INDEX



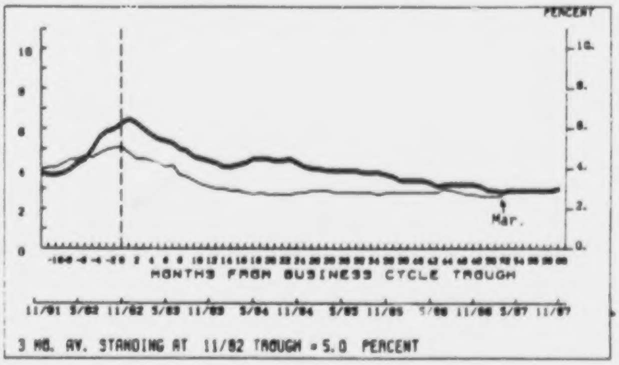
3 MO. AV. STANDING AT 11/82 TROUGH = 184.0

30. UNEMPLOYMENT RATE: TOTAL



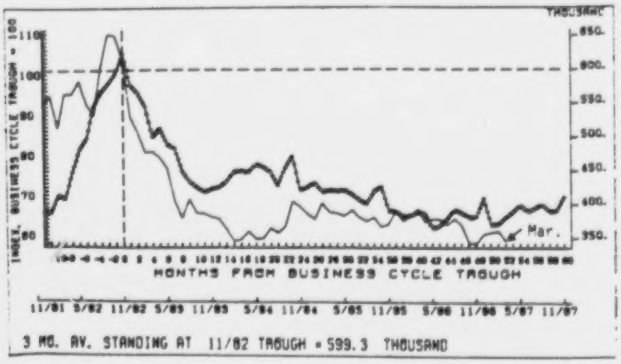
3 MO. AV. STANDING AT 11/82 TROUGH = 10.5 PERCENT

31. UNEMPLOYMENT RATE: INSURED



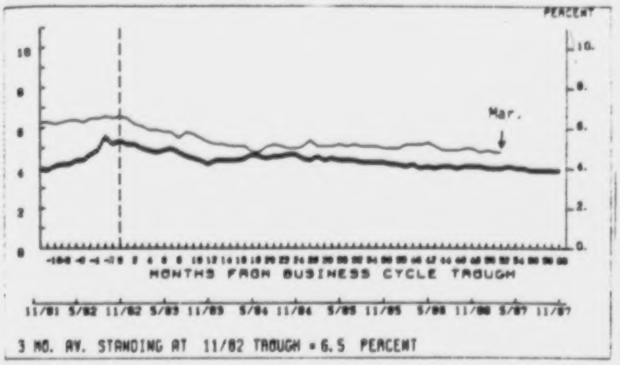
3 MO. AV. STANDING AT 11/82 TROUGH = 5.0 PERCENT

32. INITIAL CLAIMS, UNEMPLOY. INSUR.



3 MO. AV. STANDING AT 11/82 TROUGH = 599.3 THOUSAND

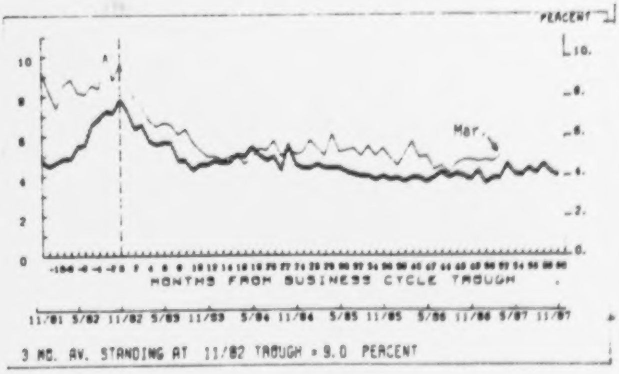
33. SHORT-DUR. UNEMPLOYMENT RATE



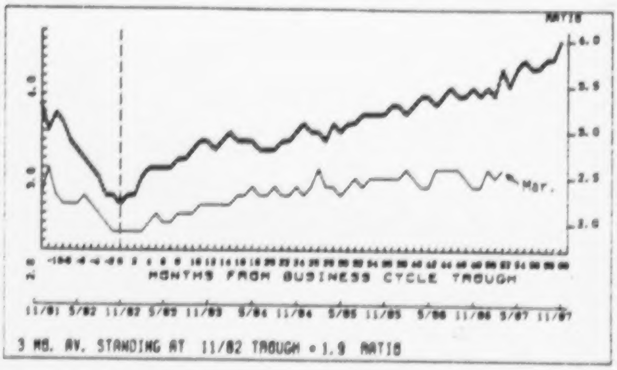
3 MO. AV. STANDING AT 11/82 TROUGH = 6.5 PERCENT

OTHER LEADING EMPLOYMENT INDICATORS

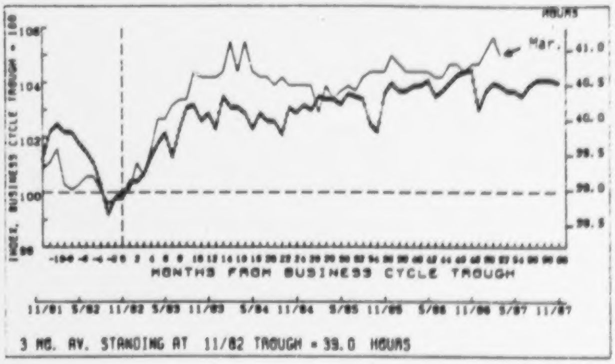
34. LAYOFF RATE UNDER 5 WEEKS



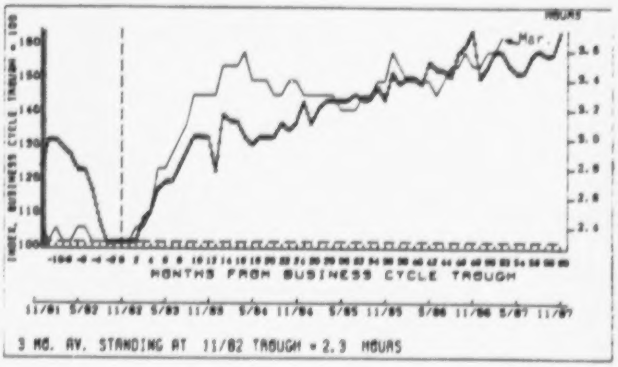
35. VOL. TO INVOL. PART-TIME EMPL. RATIO



36. AVERAGE WORKWEEK, MFG.

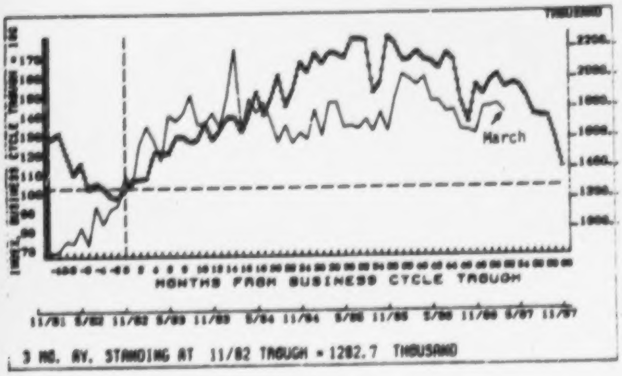


37. OVERTIME HOURS, MFG.



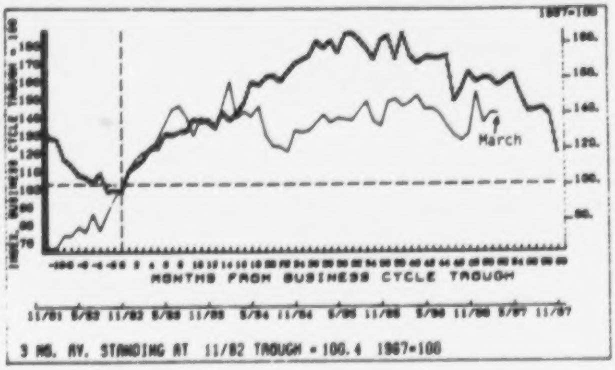
INVESTMENT COMMITMENTS AND INVENTORIES

38. NEW PRIVATE HOUSING STARTS



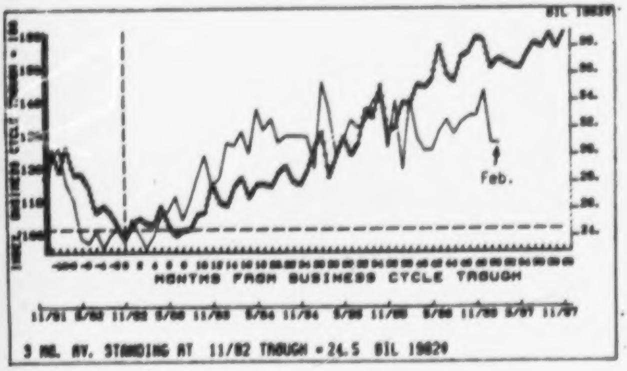
3 MO. AV. STANDING AT 11/82 TROUGH = 1282.7 THOUSAND

39. NEW PRIVATE HOUSING PERMITS



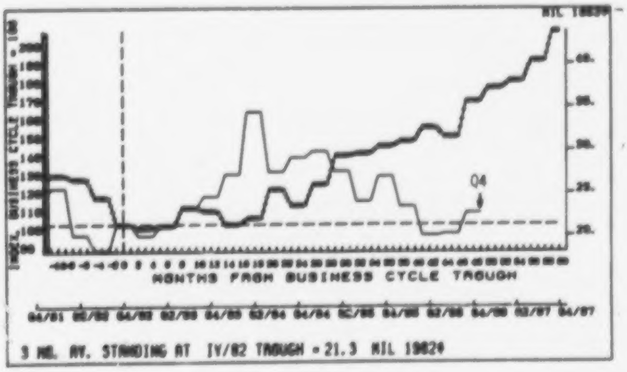
3 MO. AV. STANDING AT 11/82 TROUGH = 100.4 1967=100

40. CONTRACTS & ORDERS, PLANT & EQUIP.



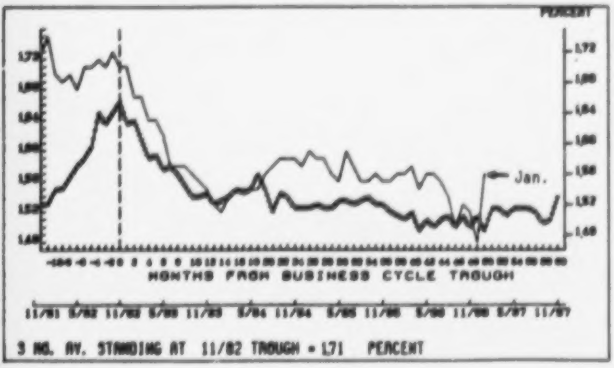
3 MO. AV. STANDING AT 11/82 TROUGH = 24.5 BIL 1982$

41. NEW CAPITAL APPROPRIATIONS, MFG.



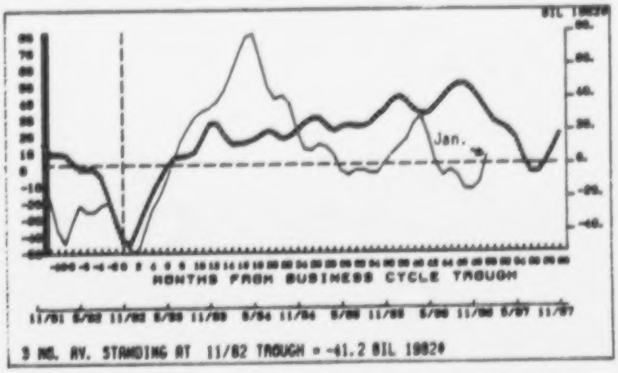
3 MO. AV. STANDING AT IV/82 TROUGH = 21.3 BIL 1982$

42. INV./SALES RATIO, MFG. AND TRADE



3 MO. AV. STANDING AT 11/82 TROUGH = 1.71 PERCENT

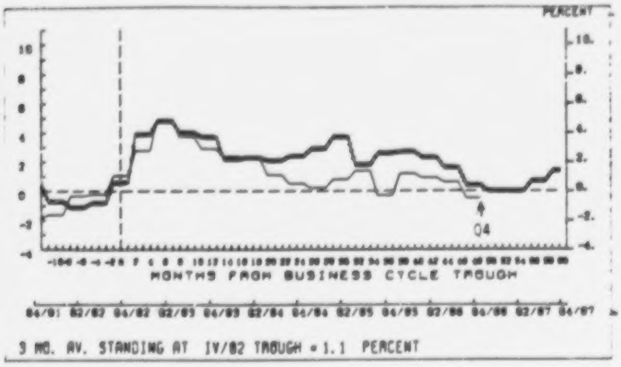
43. CHANGE IN INV. ON HAND & ON ORDER



3 MO. AV. STANDING AT 11/82 TROUGH = -41.2 BIL 1982$

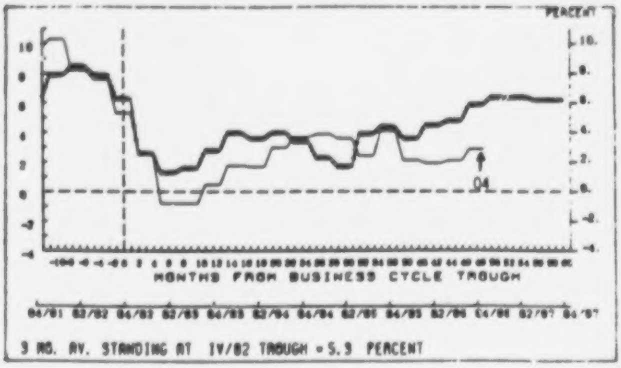
PRODUCTIVITY, WAGES, COSTS, PRICES AND PROFITS

44. OUTPUT PER HOUR, G.R.



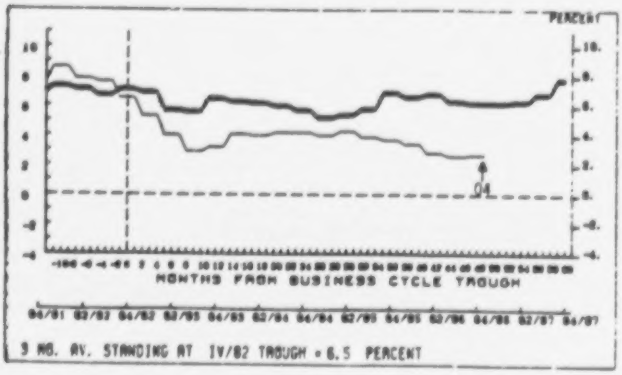
3 MO. AV. STANDING AT IV/82 TROUGH = 1.1 PERCENT

45. UNIT LABOR COSTS, G.R.



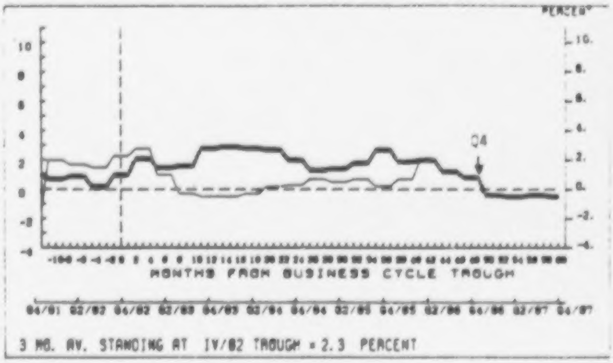
3 MO. AV. STANDING AT IV/82 TROUGH = 5.3 PERCENT

46. HOURLY COMPENSATION, G.R.



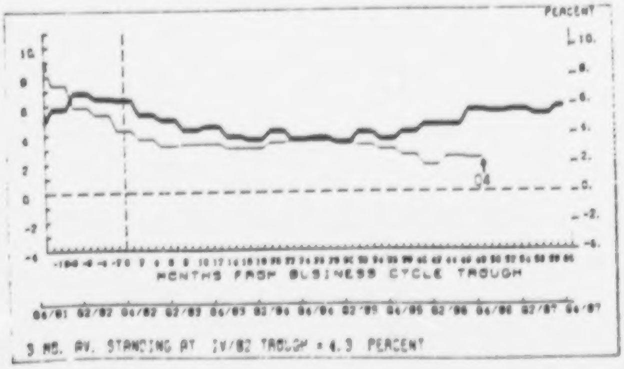
3 MO. AV. STANDING AT IV/82 TROUGH = 6.5 PERCENT

47. REAL HOURLY COMPENSATION, G.R.



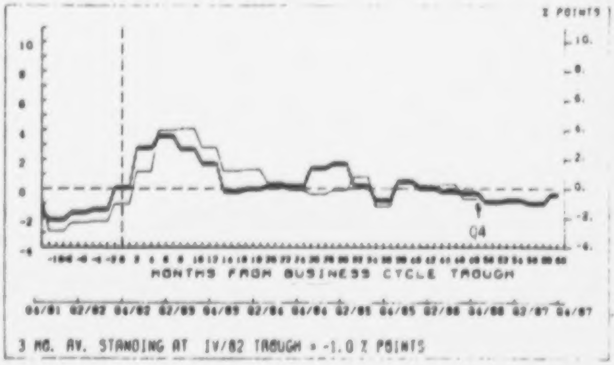
3 MO. AV. STANDING AT IV/82 TROUGH = 2.3 PERCENT

48. SELLING PRICE INDEX, G.R.



3 MO. AV. STANDING AT IV/82 TROUGH = 4.3 PERCENT

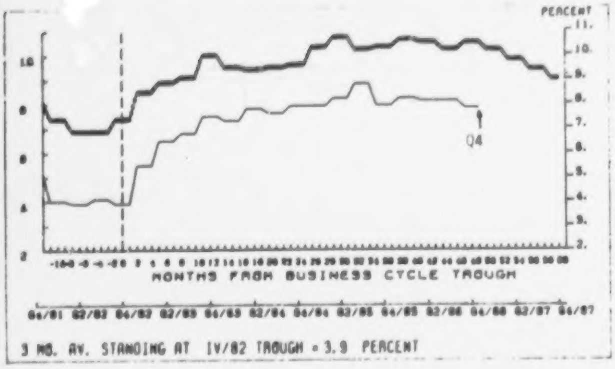
49. G.R. IN PRICES MINUS G.R. IN COSTS



3 MO. AV. STANDING AT IV/82 TROUGH = -1.0 % POINTS

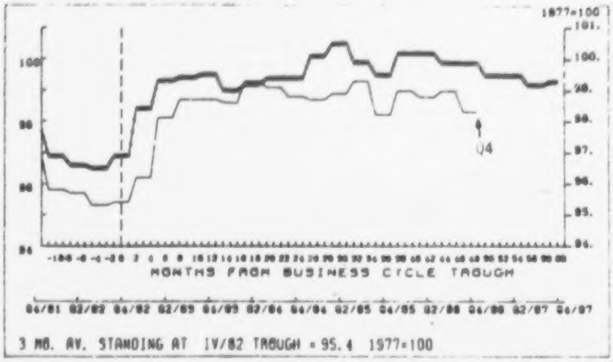
PRODUCTIVITY, WAGES, COSTS, PRICES AND PROFITS, cont.

50. CORPORATE PROFIT MARGIN



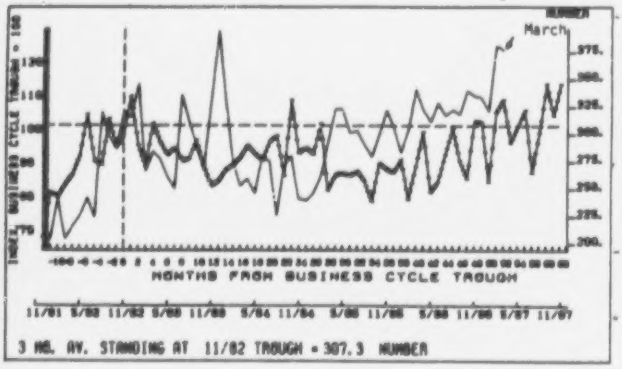
3 MO. AV. STANDING AT IV/82 TROUGH = 3.9 PERCENT

51. PRICE/LABOR COST RATIO



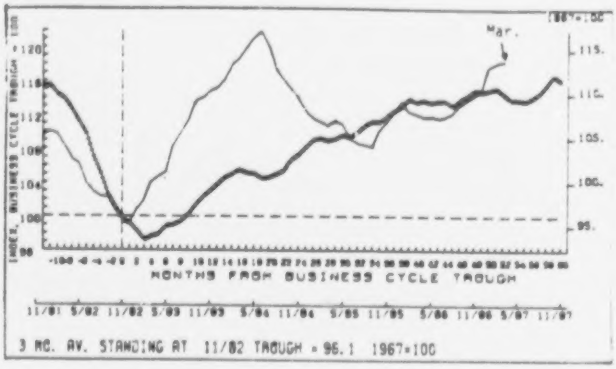
3 MO. AV. STANDING AT IV/82 TROUGH = 95.4 1977=100

52. LARGE BUSINESS FAILURES



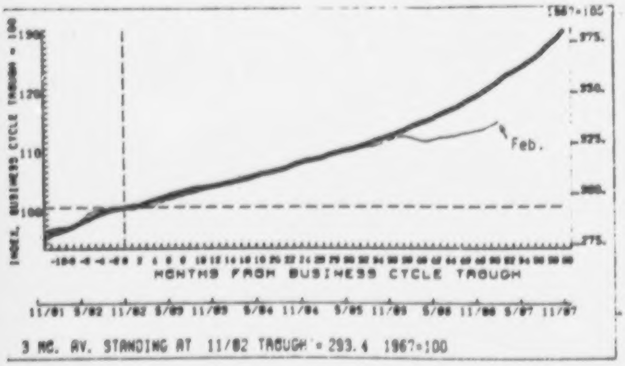
3 MO. AV. STANDING AT 11/82 TROUGH = 307.3 NUMBER

53. LEADING INDEX OF INFLATION (CIBCR)



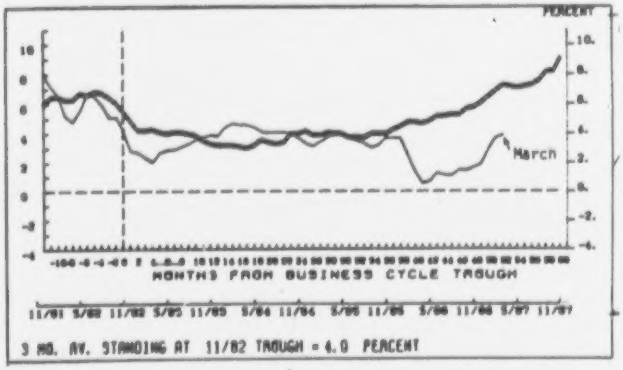
3 MO. AV. STANDING AT 11/82 TROUGH = 96.1 1967=100

54. CONSUMER PRICE INDEX



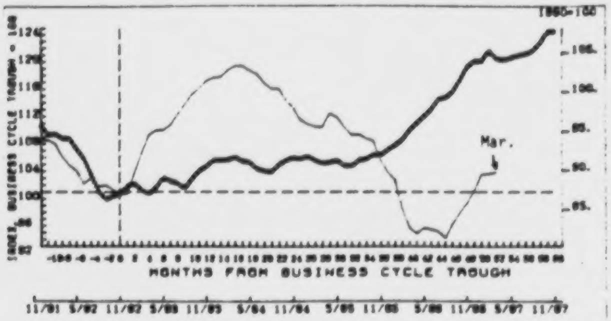
3 MO. AV. STANDING AT 11/82 TROUGH = 293.4 1967=100

55. CONSUMER PRICE INDEX, G.R.



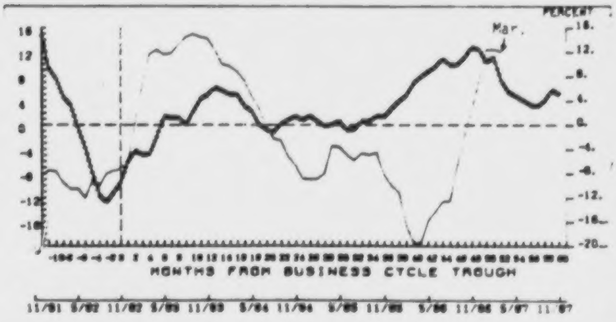
3 MO. AV. STANDING AT 11/82 TROUGH = 4.0 PERCENT

56. INDUSTRIAL MATERIALS PRICE INDEX



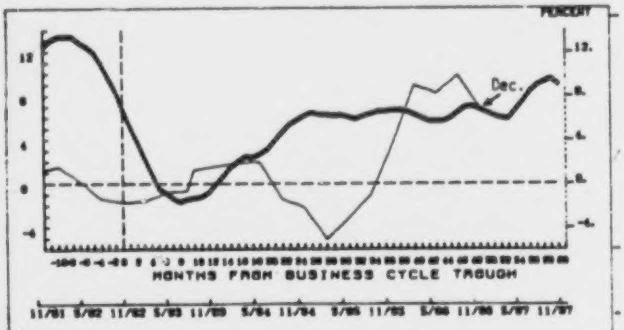
3 MO. AV. STANDING AT 11/82 TROUGH = 87.2 1980=100

57. INDUS. MATERIALS PRICE INDEX, G.R.



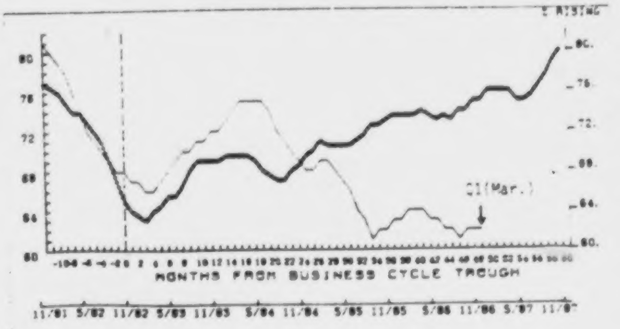
3 MO. AV. STANDING AT 11/82 TROUGH = -7.0 PERCENT

58. IMPORT PRICE INDEX (EXCLUDING FUELS), G.R.



3 MO. AV. STANDING AT 11/82 TROUGH = -1.7 PERCENT

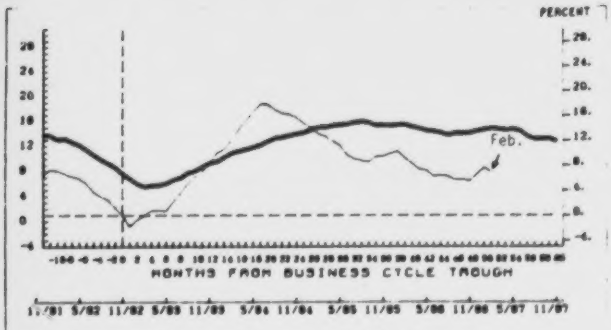
59. BUSINESSMEN'S ANTICPATED SELLING PRICES (SURVEY)



3 MO. AV. STANDING AT 11/82 TROUGH = 67.7 % RISING

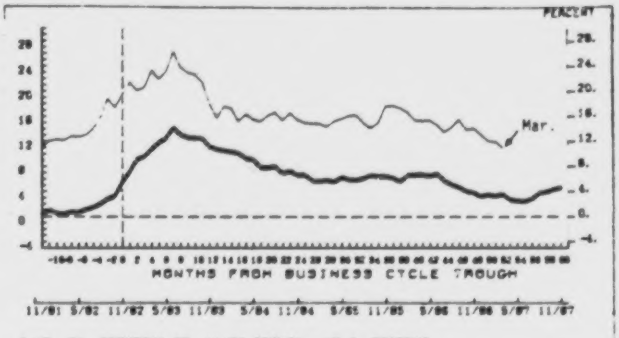
MONEY, CREDIT, INTEREST RATES AND STOCK PRICES

60. BUSINESS & CONSUMER DEBT, G.R.



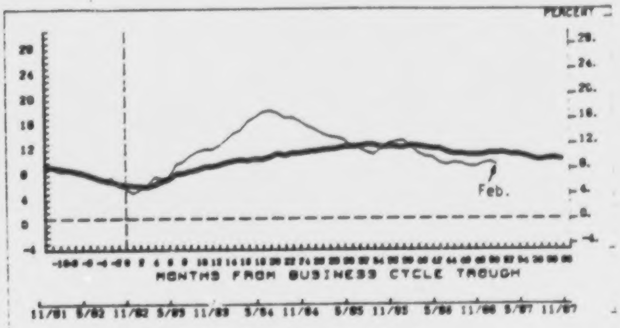
3 MO. AV. STANDING AT 11/82 TROUGH = -0.2 PERCENT

61. FEDERAL DEBT, G.R.



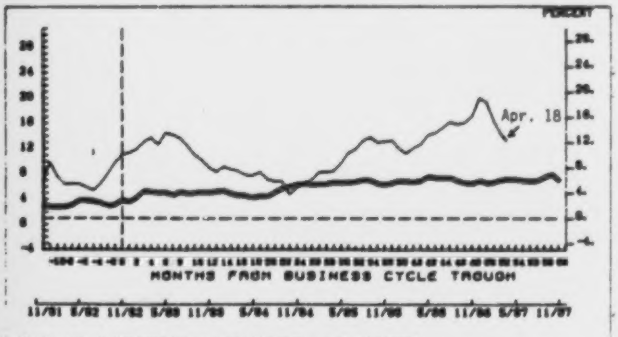
3 MO. AV. STANDING AT 11/82 TROUGH = 19.5 PERCENT

62. TOTAL DEBT, G.R.



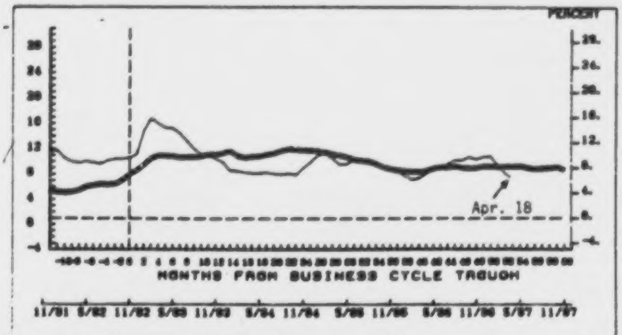
3 MO. AV. STANDING AT 11/82 TROUGH = 4.8 PERCENT

63. MONEY SUPPLY (M1), G.R.



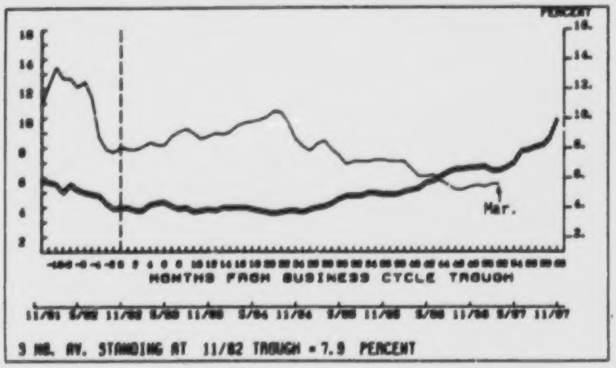
3 MO. AV. STANDING AT 11/82 TROUGH = 9.9 PERCENT

64. MONEY SUPPLY (M2), G.R.

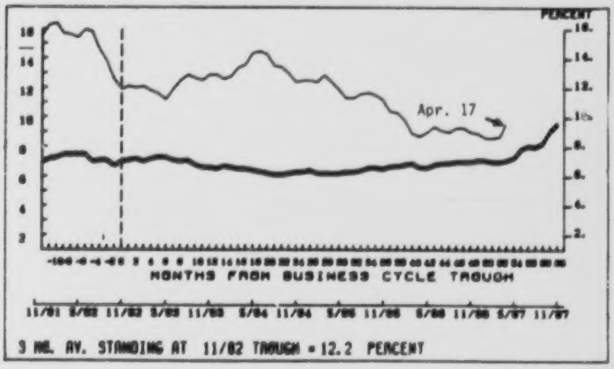


3 MO. AV. STANDING AT 11/82 TROUGH = 9.8 PERCENT

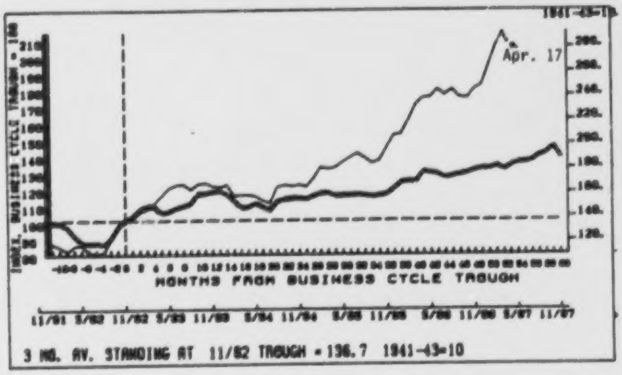
65. TREASURY BILL RATE (3-MONTH)



66. NEW CORPORATE BOND YIELD (AA)



67. COMMON STOCK PRICE INDEX (S&P 500)



ABOUT THE CENTER FOR INTERNATIONAL BUSINESS CYCLE RESEARCH

The Center for International Business Cycle Research (CIBCR), established in 1979, specializes in the study of trends and fluctuations in economic growth and inflation in the United States and other countries. The analysis contained in this report is the result of its ongoing research programs on U.S. business cycles. Readers are invited to submit comments and suggestions concerning this publication. In addition, readers wishing to secure data compiled by the Center on the eight other major industrial countries or copies of research reports may do so by communicating with:

Center for International Business Cycle Research
323 Uris Hall, Columbia University
New York, NY 10027
Telephone: (212) 280-2916

ABOUT THIS REPORT

RECESSION-RECOVERY WATCH is a bimonthly report designed to analyze current business cycle trends in terms of previous recession or recovery patterns in the United States.

This report was begun in August 1979, under the direction of Dr. Geoffrey H. Moore, following the methodology for measuring recessions developed at the National Bureau of Economic Research. Although no forecasts are made, the materials in this report do permit glimpses into the future: first by analyzing the behavior of various leading indicators; second, by indicating what is likely to happen in terms of what did happen in previous recessions and recoveries.

The leading indicators used in this report are relevant to future output and employment because they represent actions taken, like the placing of orders, that will result in future output, or because they reflect factors, like profits, that influence future decisions on output. The record of what happens during the latter stages of business cycles is relevant because of the family resemblance among successive cycles, a resemblance that has its origin in the processes by which business cycles are generated. Every business cycle has its own surprises, partly because of policy actions taken, but many developments are not surprising, having occurred many times before. The historical comparisons contained in this report help one anticipate what is typical and distinguish it from the unusual.

A 1986 Supplement to Recession-Recovery Watch contains a detailed set of tables analyzing the behavior of all the indicators in this report during each cycle from 1948 to 1985.

Other CIBCR publications include International Economic Indicators, a monthly 70-page data compilation on leading and coincident indicators for nine industrial countries. Monthly press releases are issued on a leading index of inflation and a leading employment index for the United States.

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A Bimonthly Report
Designed to Assist in the Evaluation
of Current Business Conditions

Published by the Center for International Business Cycle Research,
Columbia Business School, Columbia University, New York, NY 10027

Dr. Geoffrey H. Moore
Director

Vol. 9, No. 3
June 1987

Summary

The nine-country leading index compiled by CIBCR has been accelerating in recent months, suggesting that the industrial world may be emerging from the slow growth pattern that has prevailed until now.

The U.S. leading indexes that pertain to the real economy paint a fairly rosy picture of near-term future. Although some are speeding up and others slowing down, their latest growth rates are above where they stood at the same stage of the two longest expansions since 1949.

The upswing in the inflation cycle, which dates from April 1986, has progressed somewhat faster than the average of the previous six inflation upswings. There are still strong upward pressures on prices of industrial materials and imported goods, but labor costs per unit of output have not been rising rapidly.

Four new leading indicators, covering bond prices, growth in real debt, price/labor cost ratio, and change in business population, are introduced.

Is the World Economy Slowing Down or Speeding Up?

Recent reports by the Organization for Economic Cooperation and Development (OECD) and the Bank for International Settlements (BIS) take a somber view of the outlook for most countries. They are not alone. Most of the economists regularly surveyed by Worldscan forecast continued sluggish growth. But our leading index for the nine industrial nations, which includes the United States, Canada, United Kingdom, West Germany, France, Italy, Japan, Australia and Taiwan, has been rising faster in recent months. The growth rate in this leading index reached 10% in March, as compared with 7% three months ago, 5% six months ago, and 1% a year ago (see Chart A). An acceleration of this kind

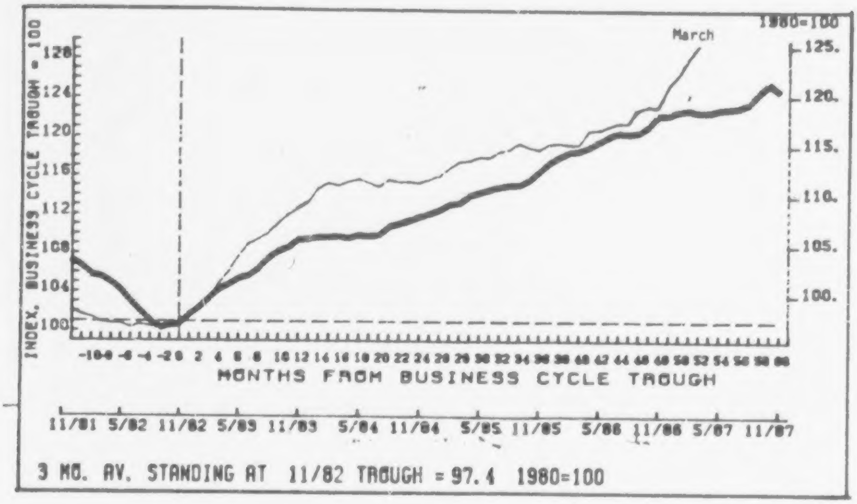
CHART A.

THE NINE-COUNTRY LEADING INDEX DURING U.S. EXPANSIONS

——— Current expansion (since Nov. 1982)

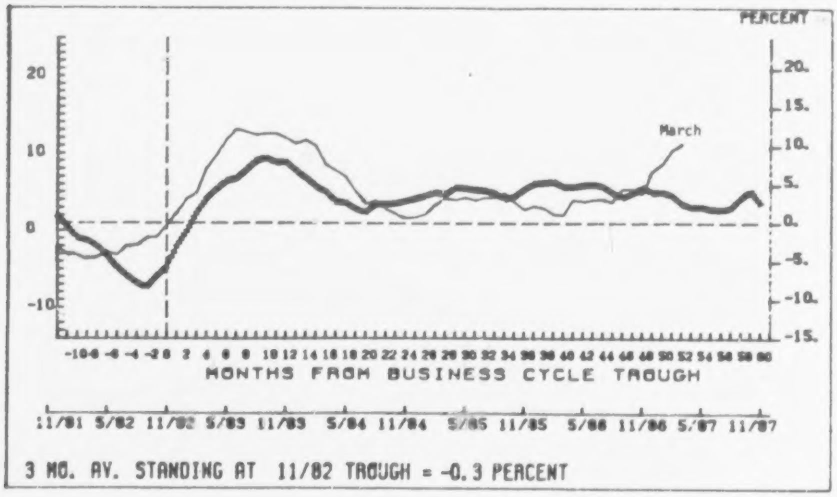
┿┿┿┿ Average of two long expansions (1961-69, 1975-80)

Index



3 MO. AV. STANDING AT 11/82 TROUGH = 97.4 1980=100

Growth Rate



3 MO. AV. STANDING AT 11/82 TROUGH = -0.3 PERCENT

has usually been followed by faster growth in output and employment.

The last time this happened to the leading index was when the industrial world was coming out of the 1982 recession. The growth rate in the nine-country leading index reached 10% in April 1983, having risen from 4% three months before and much lower levels during 1982. This was followed by notably higher growth rates in output and employment in most of these countries. Our nine-country coincident index, which includes real GNP, industrial production, retail scales, employment and unemployment, was rising at a 1% annual rate in April 1983 but by November the rate had passed 6%.

One of the major differences between the situation now and in 1983-84 is, of course, that then we were emerging from a deep recession. The recent growth rates in the nine-country coincident index have been in 2 to 3% range, not negative as they were in 1982. The initial upswing out of a recession is typically marked by rapid growth. But faster growth is also characteristic of the upswings following growth recessions (slowdowns). The nine-country leading index is suggesting that we may be entering one of those upswings.

The U.S. Leading Indexes: Varying Degrees of Optimism

One of the advantages of watching several leading indexes instead of a single one is that they help to check one another, since they differ in content. Recession-Recovery Watch contains five U.S. leading indexes pertaining to the real economy. The most recent figures, as compared to six months ago and a year ago, are shown in the following table.

Chart No.	Leading Index	Latest Figure	Latest Date, 1987	6 mos. ago	year ago
6	Business Week, growth rate, %	12	June 13	14	10
7	Employment, growth rate, %	7	May	4	3
6A	NAPM, growth rate, %	7	May	4	4
9	BCD, growth rate, %	5	April	5	8
11	Diffusion, 164 indicators, % rising	72	April	60	69

None of these indexes are suggesting recession. Rather, they are pointing to continued expansion in the real economy. Some are moving up more rapidly than they were six months or a year ago, others are not. The buoyancy in the stock market is directly affecting some of the indexes, since stock prices are included in the Business Week index, the BCD index and the diffusion index. But stock prices do not figure at all in the leading employment index or the leading index based on the National Association of Purchasing Managers survey. The recovery comparison charts show that the latest figures for every one of the five leading indexes are above the corresponding average growth rates for the two long recoveries of 1961-69 and 1975-80. So far, so good.

Inflation Marching On

Our inflation cycle comparisons are brought up to date in Chart B. The CPI inflation rate continued to move up through May on a track somewhat above the average of the six preceding upswings during their first thirteen months. The rate for May, the thirteenth month of the upswing that began in April 1986, was 4.4% at annual rate, seasonally adjusted. Wholsesale prices have been moving in a similar way but so far the rate of growth has remained below the six-cycle average.

The NAPM survey shows that purchasing managers are reporting price increases with about the same frequency that they did at this stage of the previous six inflation upswings. Very rapid price increases are prevalent in daily price index for industrial materials published by the Journal of Commerce, where the high to date was reached on June 22nd, with an annualized growth rate of 28.47%. Textiles, metals, oil and other materials have participated in this upsurge. The growth rates as of June 22 were: textiles, 23.4%; metals, 17.2%; miscellaneous, including oil: 39.1%. These annual rates are calculated in a way similar to that used for the six-month smoothed rates used elsewhere in Recession-Recovery Watch. That is, we take the ratio of the current daily price index to the average index for the preceding 250 days (working year) and raise this to an annual rate by squaring the ratio, since the interval covered is one-half year.

Part of this spurt in the cost of materials is due to the oil price rebound, part to the effect of the declining dollar on import prices (shown in Chart B), and part to a growth in demand. The latter is reflected in the rising trend of the NAPM leading index (Chart 6A). These and other factors are pushing up the leading inflation index, though it is still below its level in the average of the six inflation upswings. Hence it is suggesting an inflation rate (CPI) in the 5 to 6% range by the end of this year, not double-digit figures. The modest growth in unit labor costs is helping to hold back the tide (Chart 45).

Four New Leading Indicators

The CIBCR review of the indicators in the Commerce Department's leading index has led us to propose four indicators that are not presently included (Chart C). The Dow-Jones corporate bond price index reflects long-term interest rates (inversely) and leads business cycle turns by long intervals, anticipating the movements of other leading indicators such as housing starts and stock prices. Bond price trends are also closely related to the growth in real domestic nonfinancial debt, a new indicator that we have constructed from the monthly data on

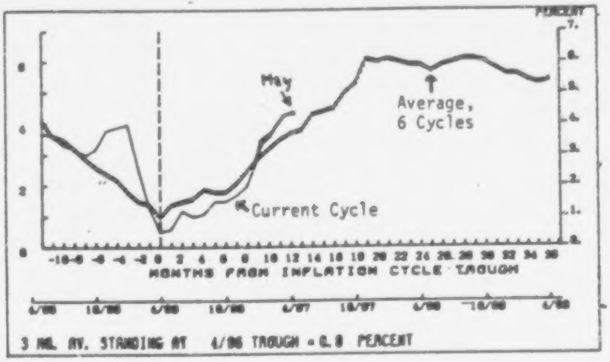
CHART B

INFLATION CYCLE PATTERNS

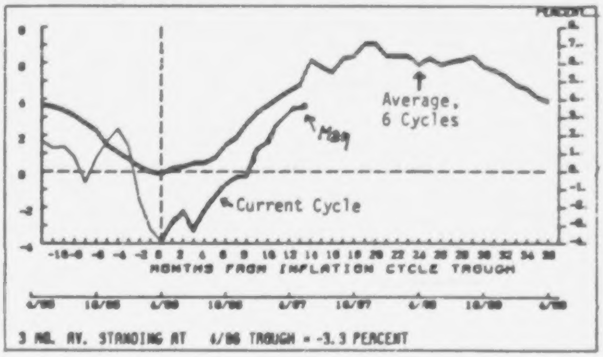
——————— Current upswing to date (inflation trough, April 1986)

▬▬▬▬▬▬ Average, six previous inflation upswings (1949-80)

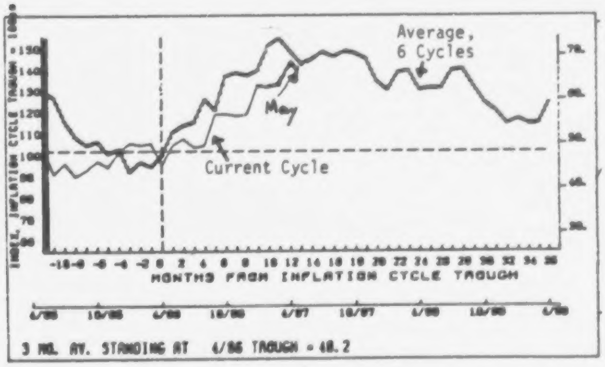
1. Consumer Price Index, Growth Rate



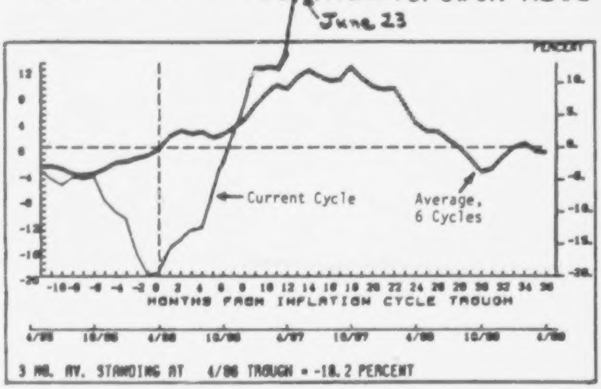
2. Producer Price Index, Finished Goods, Growth Rate



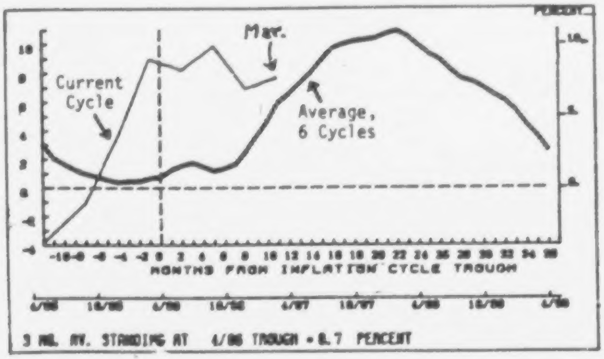
3. Purchasing Managers Price Survey



4. Journal of Commerce Industrial Materials Price Index, Growth Rate



5. Import Price Index, excl. Fuels, Growth Rate



6. Leading Inflation Index

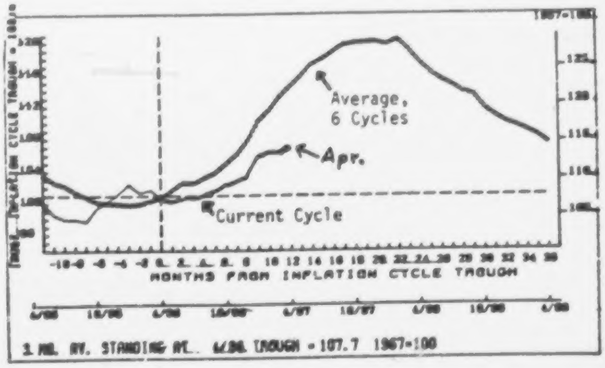


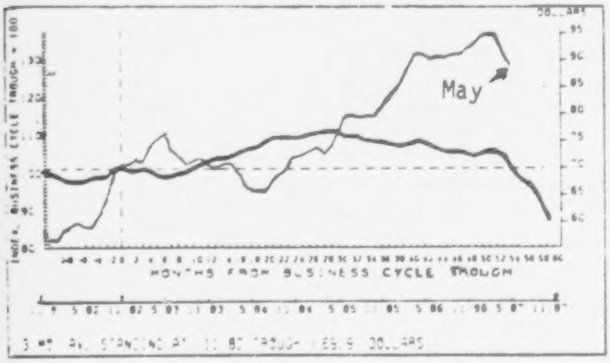
CHART C

RECESSION-RECOVERY PATTERNS: FOUR NEW LEADING INDICATORS

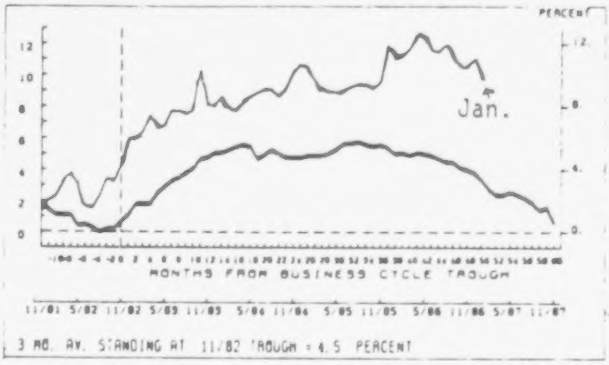
——— Current expansion (from Nov. 1982 to date)

▬▬▬ Average, two long expansions (1961-69, 1975-80)

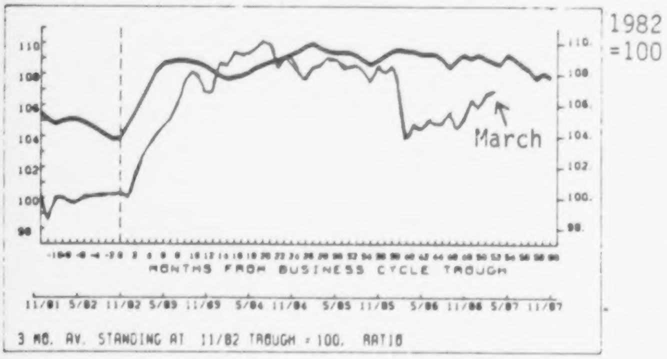
1. Corporate Bond Price, Dow-Jones



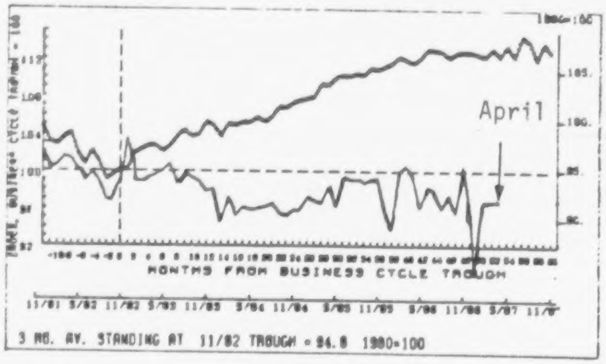
2. Real Domestic Nonfinancial Debt, Growth Rate



3. Price/Labor Cost Ratio, Manufacturing



4. Net Change in Business Population



nominal debt published by the Federal Reserve.

Another new indicator provides monthly information on profit margins in manufacturing. A selling price index that eliminates inter-industry transactions within manufacturing, published by the Bureau of Labor Statistics since 1985, is divided by an index of unit labor costs constructed by CIBCR from labor compensation and output data. This price/cost ratio correlates closely with quarterly profit/sales ratios but is more up to date. It has usually turned down or up well before the business cycle turn.

We have also constructed a new index of the net change in the number of business enterprises, using data on business starts and business failures published by Dun & Bradstreet, Inc. The new index resolves the problems encountered by the net business formation index, which was recently dropped from the BCD leading index.

The new indicators provide a rather mixed picture of current trends. Bond prices and the growth of debt are well above their average levels in the two preceding long expansions but have been moving down in recent months. The price/labor cost ratio is below its past average level but has been trending up during the past year. The change in business population has been flat during the current expansion, very different from its vigorous growth in the previous expansions. Although the number of business starts has risen, the number of failures has increased just as fast or a bit faster.

RECESSION-RECOVERY SERIES AND CHARTS

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1A N.A.P.M. Leading Index 15
2 Leading Employment Index (CIBCR) 15
3 Coincident Employment Index (CIBCR) 15
4 Leading Index (BCD 910)(L,L,L) 15
5 Coincident Index (BCD 920)(C,C,C). 15
6 Business Week Leading Index, Growth Rate (CIBCR) 16
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34 Layoff Rate. 21
35 Voluntary-Involuntary Part-Time Employment Ratio 21
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39 Housing Permits (BCD 29)(L,L,L). 22
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The series numbers of indicators that are reported in Business Conditions Digest are noted above. Readers may wish to consult the 1984 Handbook of Cyclical Indicators for further information on particular time series. The letter symbols L, C, Lg and U identify the timing classification of the series with respect to business cycles, as shown in Business Conditions Digest. L = leading, C = coincident, Lg = lagging, and U = unclassified because of inconsistency in timing. The three letters in parentheses refer to peaks, troughs and to peaks and troughs, respectively When the series we use is similar to but not identical with the BCD [1]series, the BCD classification has been used. In the case of growth rates, we show the classification only where a similar growth rate for the same or similar series is classified in BCD.

A GUIDE TO RECESSION-RECOVERY WATCH TABLES

As readers of Recession-Recovery Watch know, the record of previous business cycle expansions provides a guide to the future prospects of the current expansion. The idea is, of course, incorporated in the Recession-Recovery Watch pattern charts and tables.

The tables cover more than sixty indicators and give the information needed to analyze the indicators from three viewpoints: the current expansion, two very long expansions since 1961, and the average of the two very long expansions. The two very long expansions are: 1961-69, (106 months) and 1975-80 (58 months). The expansions that are excluded from the averages covered the following periods: 1949-53, 45 months; 1954-57, 39 months; 1958-60, 24 months; 1970-73, 36 months; 1980-81, 12 months.

The figures show the most recent position of the indicator compared with its position the same number of months after the start of each of the previous expansions. That is, if the latest figure is for, say, November 1985, which is 36 months after the November 1982 business cycle trough, all the entries for that indicator will be for 36 months after the troughs of previous cycles.

Series that are expressed as growth rates, changes, or ratios appear as actual values (Table 1) and as differences from business cycle troughs standings (Table 3). All other series are expressed as percentages of business cycle trough standings (Table 2). The standing is a three month average centered on the trough month. In the case of quarterly series the trough standing is the figure for the business cycle trough quarter. The monthly and quarterly trough dates are those established by the National Bureau of Economic Research.

The tables pinpoint the most recent month available for each indicator, and compare it with the corresponding point in each of the previous expansions.

A more comprehensive set of tables, the 1986 Supplement, has also been constructed by the Center. It includes sixty-three indicators and covers each month of the three long expansions since 1948, starting 11 months before the trough and ending five years after the trough. The average recovery is also shown for each month of the six-year span. Hence, one can use the figures to construct charts, to update comparisons month by month, to analyze changes during the later years of expansion, or to compare forecasts for the current expansion with what happened in previous expansions.

To order the 100-page 1986 Supplement, send in the order form on the back cover.

TABLE 1

RECESSION-RECOVERY STATUS UP TO 54 MONTHS AFTER THE BUSINESS CYCLE TROUGH
Actual Levels

		UNIT	Months After Business cycle Trough	Expansions Starting Feb. 1961	Expansions Starting Mar. 1975	Average (1961, 1975)	Current Expansion Starting Nov. 1982	Last Month or Quarter Available
I.	Composite Indexes							
6.	BUSINESS WEEK LEADING INDEX, GROWTH RATE	%	54	2.1	3.0	2.5	12.3	MAY
6A.	N.A.P.M. INDEX, GROWTH RATE	%	54	4.0	-1.6	1.2	7.0	MAY
7.	LEADING EMPLOYMENT INDEX, GROWTH RATE	%	54	4.7	1.7	3.2	7.3	MAY
8.	COINCIDENT EMPLOYMENT INDEX, GROWTH RATE	%	54	8.3	4.3	6.3	5.9	MAY
9.	LEADING INDEX, GROWTH RATE.	%	53	3.5	-3.3	0.1	4.6	APR
10.	COINCIDENT INDEX, GROWTH RATE	%	53	9.7	1.9	5.8	1.5	APR
11.	DIFFUSION INDEX OF LEADING INDICATORS	% RISING	53	74.0	62.0	68.0	72.0	APR
13.	RATIO, COINCIDENT TO LAGGING INDEX	1967=100	53	99.7	122.4	111.1	127.3	APR
15.	EIGHT-COUNTRY LEADING INDEX, GROWTH RATE	%	52	-1.2	8.4	3.6	11.1	MAR
II.	Output, Income and Sales							
17.	REAL GNP GROWTH RATE	%	17Q	5.8	1.2	3.5	2.8	Q1
III.	Employment and Unemployment							
23.	EMPLOYMENT TO POPULATION RATIO	%	54	57.0	60.4	58.7	62.0	MAY
28.	EMPLOYMENT DIFFUSION INDEX, 186 INDUS.	% RISING	54	82.3	53.5	67.9	63.8	MAY
29.	UNEMPL. SEVERITY INDEX	WEEKS PER 100 IN LABOR FORCE	54	51.2	60.9	56.0	92.4	MAY
30.	UNEMPLOYMENT RATE: TOTAL	%	54	4.3	5.8	5.0	6.2	MAY
31.	UNEMPLOYMENT RATE: INSURED	%	54	3.0	2.8	2.9	2.4	MAY
33.	SHORT-DURATION UNEMPLOYMENT RATE	%	54	3.3	4.7	4.0	4.5	MAY
34.	LAYOFF RATE UNDER 5 WEEKS (TIMES 10)	%	54	3.8	4.5	4.3	4.3	MAY
35.	PART-TIME EMPLOYMENT RATIO	%	52	3.5	3.9	3.7	2.8	MAY
IV.	Investment Commitments and Inventories							
42.	INVENTORY/SALES RATIO (TIMES 10)	%	52	14.4	15.9	15.2	14.9	MAR
43.	CHANGE IN INVENTORIES ON HAND & ON ORDER	BIL. 82$.	52	20.9	24.9	22.9	23.7	MAR
V.	Productivity, Wages, Costs, Prices and Profits							
44.	OUTPUT PER HOUR, GROWTH RATE	%	17Q	2.2	-2.2	0.0	-0.3	Q1
45.	UNIT LABOR COSTS, GROWTH RATE	%	17Q	0.6	12.2	6.4	1.7	Q1
46.	HOURLY COMPENSATION, GROWTH RATE	%	17Q	2.7	9.7	6.2	2.6	Q4
47.	REAL HOURLY COMPENSATION, GROWTH RATE	%	17Q	0.8	-1.6	-0.4	-1.6	Q1
48.	SELLING PRICE INDEX, GROWTH RATE	%	17Q	1.6	9.4	5.5	2.4	Q1
49.	GROWTH IN PRICES MINUS GROWTH IN COSTS	% POINTS	17Q	1.0	-2.8	-0.9	0.7	Q1
50.	CORPORATE PROFIT MARGIN	%	17Q	13.6	6.8	10.2	8.1	Q1
51.	PRICE/LABOR COST RATIO	1977=100	17Q	101.4	97.7	99.5	99.1	Q1
55.	CONSUMER PRICE INDEX, GROWTH RATE	%	53	1.9	12.5	7.2	4.3	APR
57.	INDUSTRIAL MAT. PRICE INDEX, GROWTH RATE	%	54	1.5	8.1	4.8	23.3	MAY
58.	IMPORT PRICES EXCL. FUELS, GROWTH RATE	%	52	2.2	9.9	6.0	7.7	Q1(MAR)
59.	ANTICIPATED SELLING PRICES (D&B SURVEY)	% RISING	55	61.0	89.0	75.0	67.0	Q2(JUN)
VI.	Money, Credit, Interest Rates and Stock Prices							
60.	BUSINESS & CONSUMER DEBT, GROWTH RATE	%	53	12.3	15.2	13.7	5.1	APR
61.	FEDERAL DEBT, GROWTH RATE	%	54	0.0	5.3	2.6	10.6	MAY
62	TOTAL DEBT, GROWTH RATE	%	53	7.9	12.6	10.2	6.9	APR
63.	MONEY SUPPLY (M1), GROWTH RATE	%	54	3.5	8.9	6.2	12.1	MAY
64.	MONEY SUPPLY (M2), GROWTH RATE	%	54	7.5	9.1	8.2	5.4	MAY
65.	TREASURY BILL RATE (3-MONTH)	%	54	3.8	10.3	7.0	5.8	MAY
66.	NEW CORPORATE BOND YIELD (AA)	%	54	4.7	9.9	7.3	9.9	MAY

TABLE 2

RECESSION-RECOVERY STATUS UP TO 54 MONTHS AFTER THE BUSINESS CYCLE TROUGH
Percentage Change from Trough Levels

		Months After Business Cycle Trough	Expansions Starting		Average	Current Expansion Starting Nov. 1982	Last Month or Quarter Available
			FEB. 1961	MAR. 1975	(1961, 1975)		
I.	Composite Indexes						
1.	BUSINESS WEEK LEADING INDEX (CIBCR)	54	28.5	32.9	30.7	50.0	MAY
1b.	N.A.P.M. INDEX	54	34.0	30.2	32.1	23.1	MAY
2.	LEADING EMPLOYMENT INDEX (CIBCR)	54	31.4	27.1	29.2	32.3	MAY
3.	COINCIDENT EMPLOYMENT INDEX (CIBCR)	54	31.2	41.7	36.4	37.5	MAY
4.	LEADING INDEX (BCD)	53	33.3	32.8	33.0	33.6	APR
5.	COINCIDENT INDEX (BCD)	53	33.4	32.5	32.9	25.6	FEB
12.	LAGGING INDEX (BCD)	53	17.5	4.6	11.0	10.7	APR
14.	EIGHT-COUNTRY LEADING INDEX (CIBCR)	52	5.8	24.2	15.0	25.7	MAR
II.	Output, Income and Sales						
16.	REAL GNP	17Q	23.6	20.3	22.0	18.4	Q1
18.	INDUSTRIAL PRODUCTION INDEX	54	44.1	33.4	38.8	27.1	MAY
19.	REAL PERSONAL INCOME	53	23.5	19.1	21.3	14.4	APR
20.	REAL CONSUMER EXPENDITURES	53	22.0	19.1	20.6	18.1	APR
21.	REAL RETAIL SALES	53	24.9	22.0	23.5	25.1	APR
III.	Employment and Unemployment						
22.	TOTAL EMPLOYMENT	54	8.4	16.2	12.0	13.3	MAY
24.	NONFARM EMPLOYMENT	54	13.9	17.8	15.9	14.7	MAY
25.	NONFARM EMPLOYEE-HOURS	54	14.7	17.1	15.9	15.3	MAY
26.	EMPLOYMENT IN GOODS-PRODUCING INDUSTRIES.	54	12.3	17.6	14.9	7.7	MAY
27.	EMPLOYMENT IN SERVICE-PRODUCING INDUSTRIES	54	15.4	18.0	16.7	17.1	MAY
32.	INITIAL CLAIMS, UNEMPLOYMENT INSURANCE	54	-38.1	-27.7	-35.0	-44.1	MAY
36.	AVERAGE WORKWEEK, MANUFACTURING	54	4.3	3.2	3.7	5.2	MAY
37.	OVERTIME HOURS, MANUFACTURING	54	66.7	33.3	50.0	65.2	MAY
IV.	Investment Commitments and Inventories						
38.	NEW PRIVATE HOUSING STARTS	54	15.5	89.4	52.4	26.3	MAY
39.	NEW PRIVATE HOUSING PERMITS	54	23.1	99.9	61.5	17.3	MAY
40.	CONTRACT & ORDERS, PLANT & EQUIPMENT	53	50.8	47.4	49.1	40.5	APR
41.	NEW CAPITAL APPROPRIATIONS, MANUFACTURING	17Q	114.1	35.8	74.9	7.9	Q1
V.	Productivity, Wages, Costs, Prices and Profits						
52.	LARGE BUSINESS FAILURES	54	4.1	-4.1	0.0	17.8	MAY
53.	LEADING INDEX OF INFLATION (CIBCR)	53	10.2	17.6	13.9	18.6	APR
54.	CONSUMER PRICE INDEX, ALL URBAN CONSUMERS	53	5.8	39.6	22.7	15.2	APR
56.	INDUSTRIAL MATERIALS PRICE INDEX	54	7.5	31.7	19.6	10.3	MAY
VI.	Money, Credit, Interest Rates and Stock Prices						
67.	STOCK PRICE INDEX (S&P 500)	54	39.5	31.1	35.3	111.5	MAY

TABLE 3

RECESSION-RECOVERY STATUS UP TO 54 MONTHS AFTER THE BUSINESS CYCLE TROUGH
Differences from Trough Levels

		Unit	Months After Business Cycle Trough	Expansions Starting FEB. 1961	Expansions Starting MAR. 1975	Average (1961, 1975)	Current Expansion Starting Nov. 1982	Last Month or Quarter Available
I.	Composite Indexes							
6.	BUSINESS WEEK LEADING INDEX, GROWTH RATE	%	54	-4.4	8.3	1.9	7.8	MAY
6A.	N.A.P.M. INDEX, GROWTH RATE	%	54	4.1	16.1	10.1	10.2	MAY
7.	LEADING EMPLOYMENT INDEX, GROWTH RATE	%	54	6.9	11.6	9.2	6.5	MAY
8.	COINCIDENT EMPLOYMENT INDEX, GROWTH RATE	%	54	16.3	21.0	18.7	13.8	MAY
9.	LEADING INDEX, GROWTH RATE.	%	53	2.2	10.2	6.2	0.0	APR
10.	COINCIDENT INDEX, GROWTH RATE	%	53	16.5	17.0	16.7	8.3	APR
11.	DIFFUSION INDEX OF LEADING INDICATORS	% RISING	53	37.3	44.3	40.8	25.3	APR
13.	RATIO, COINCIDENT TO LAGGING INDEX	1967=100	53	11.9	25.8	18.8	15.1	APR
15.	EIGHT-COUNTRY LEADING INDEX, GROWTH RATE	%	52	-4.8	20.6	7.9	11.7	MAR
II.	Output, Income and Sales							
17.	REAL GNP GROWTH RATE	%	17Q	5.2	6.2	5.7	3.9	Q1
III.	Employment and Unemployment							
23.	EMPLOYMENT TO POPULATION RATIO	%	54	0.7	3.9	2.3	4.3	MAY
28.	EMPLOYMENT DIFFUSION INDEX, 186 INDUS.	% RISING	54	60.2	39.4	50.7	42.4	MAY
29.	UNEMPL. SEVERITY INDEX	WEEKS PER 100 IN LABOR FORCE	54	-40.4	-40.3	-40.2	-91.6	MAY
30.	UNEMPLOYMENT RATE: TOTAL	%	54	-2.3	-2.5	-2.4	-4.3	MAY
31.	UNEMPLOYMENT RATE: INSURED	%	54	-3.3	-3.5	-3.4	-2.6	MAY
33.	SHORT-DURATION UNEMPLOYMENT RATE	%	54	-1.4	-1.3	-1.3	-2.0	MAY
34.	LAYOFF RATE UNDER 5 WEEKS (TIMES 10)	%	54	-2.7	-4.0	-3.3	-4.7	MAY
35.	PART-TIME EMPLOYMENT RATIO	%	54	1.8	1.0	1.4	0.9	MAY
IV.	Investment Commitments and Inventories							
42.	INVENTORY/SALES RATIO (TIMES 10)	%	52	-1.1	-1.4	-1.3	-2.2	MAR
43.	CHANGE IN INVENTORIES ON HAND & ON ORDER	BIL. 82$.	52	45.9	84.1	65.0	65.0	MAR
V.	Productivity, Wages, Costs, Prices and Profits							
44.	OUTPUT PER HOUR, GROWTH RATE	%	17Q	0.4	-1.7	-0.6	-1.4	Q1
45.	UNIT LABOR COSTS, GROWTH RATE	%	17Q	-0.7	0.8	0.1	-3.6	Q1
46.	HOURLY COMPENSATION, GROWTH RATE	%	17Q	-0.5	-1.4	-0.9	-5.0	Q1
47.	REAL HOURLY COMPENSATION, GROWTH RATE	%	17Q	-1.0	-1.8	-1.4	-3.9	Q1
48.	SELLING PRICE INDEX, GROWTH RATE	%	17Q	1.9	-3.8	-0.9	-1.9	Q1
49.	GROWTH IN PRICES MINUS GROWTH IN COSTS	% POINTS	17Q	2.6	-4.6	-1.0	1.7	Q1
50.	CORPORATE PROFIT MARGIN	%	17Q	4.4	1.1	2.8	4.2	Q1
51.	PRICE/LABOR COST RATIO	1977=100	17Q	4.8	0.5	2.7	3.7	Q4
55.	CONSUMER PRICE INDEX, GROWTH RATE	%	53	0.5	2.8	1.7	0.3	APR
57.	INDUSTRIAL MAT. PRICE INDEX, GROWTH RATE	%	54	6.2	21.2	13.7	30.3	MAY
58.	IMPORT PRICES EXCL. FUELS, GROWTH RATE	%	52	4.0	-5.7	-0.9	9.4	Q1(MAR)
59.	ANTICIPATED SELLING PRICES (D&B SURVEY)	% RISING	55	6.0	13.3	9.7	9.7	Q2(JUN)
VI.	Money, Credit, Interest Rates and Stock Prices							
60.	BUSINESS & CONSUMER DEBT, GROWTH RATE	%	53	4.9	9.4	7.0	5.3	APR
61.	FEDERAL DEBT, GROWTH RATE	%	54	0.5	-6.0	-2.8	-8.9	MAY
62.	TOTAL DEBT, GROWTH RATE	%	53	4.1	5.4	4.7	2.1	APR
63.	MONEY SUPPLY (M1), GROWTH RATE	%	54	1.9	5.2	3.6	2.2	MAY
64.	MONEY SUPPLY (M2), GROWTH RATE	%	54	1.0	1.6	1.3	-4.4	MAY
65.	TREASURY BILL RATE (3-MONTH)	%	54	1.5	4.7	3.1	-2.2	MAY
66.	NEW CORPORATE BOND YIELD (AA)	%	54	0.2	0.5	0.3	-2.3	MAY

RECESSION-RECOVERY CHARTS

———— Current recovery to date (business cycle trough: November 1982 or IV Q 1982)

┼┼┼┼┼┼ Average of two very long recoveries (1961-69, 1975-80)

How to Read the Charts

The charts show how the current recovery, dated from November 1982, compares with the average previous recovery over the same length of time. They also show how the average previous recovery developed beyond the present point, and hence what a forecast based on that average would look like. Forecasts based upon other information can be evaluated against this background. One can see easily where new figures or forecasts would be placed.

The horizontal time scale in each chart shows the number of months before (-) or after (+) the business cycle trough (0). For the current cycle November 1982 is zero, May 1983 is Month 6, etc. The vertical scale on the left side of most charts is an index with the three-month average centered on the business cycle trough date equal to 100. This three-month average is called the trough standing. For the current cycle, the figures plotted are indexes with the October to December 1982 average equal to 100. Each of the previous cycles are converted to indexes in the same way, and then the corresponding months are averaged for the two very long cycles, 1961-80. Quarterly series (e.g., GNP) are treated in the same way as monthly except that quarterly business cycle trough dates are used and each quarter is plotted as a horizontal line for three months.

When the figures are percentages, ratios or changes (e.g., the unemployment rate or GNP growth rate, employment to population ratio, or change in inventories), the charts show actual levels of the data, rather than deviations from trough standings.

On all charts the right-hand scale applies to the current cycle. This scale shows how the averages for previous recoveries translate to current levels. The November 1982 trough standing for the current cycle is shown at the bottom of the chart for reference.

The averages, which extend out to four years after the trough, include the 1961-69 and 1975-80 recoveries, which lasted 106 and 58 months, respectively. The 1949-53, 1954-57, 1958-60, 1970-73 and 1980-81 recoveries, which lasted 45, 39, 24, 36 and 12 months respectively, are excluded to avoid including the subsequent recessions in the averages.

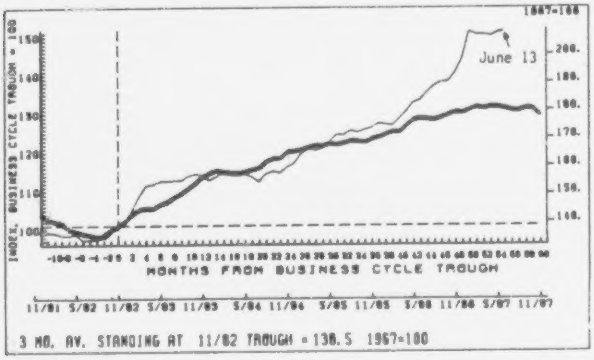
All the growth rates shown are six-month smoothed rates (or two-quarter smoothed), obtained by dividing the current month's figure by the average for the twelve preceding months, and expressing the result as a compound annual rate.

Data in some charts are a month or a quarter more up-to-date than in the preceding three tables.

In the charts, growth rate is abbreviated to "G.R."

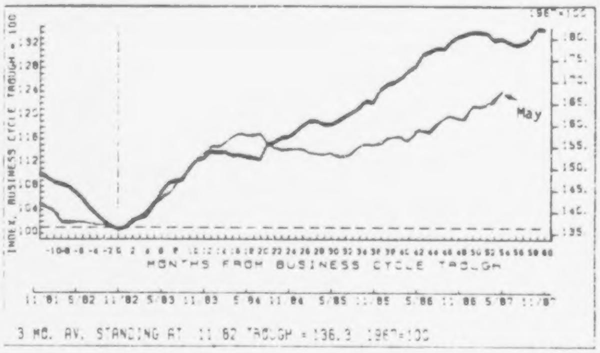
COMPOSITE INDEXES

1. BUSINESS WEEK LEADING INDEX (CIBCR)



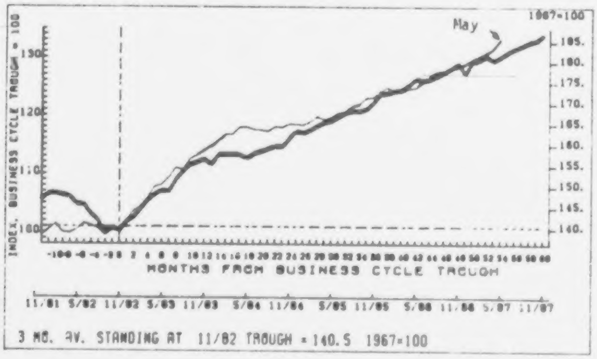
3 MO. AV. STANDING AT 11/82 TROUGH = 138.5 1967=100

1A. N.A.P.M. LEADING INDEX



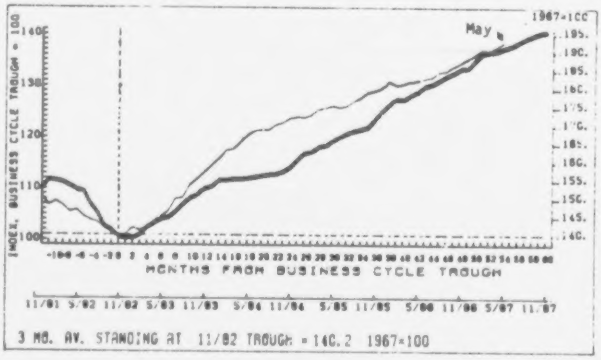
3 MO. AV. STANDING AT 11/82 TROUGH = 136.3 1967=100

2. LEADING EMPLOYMENT INDEX (CIBCR)



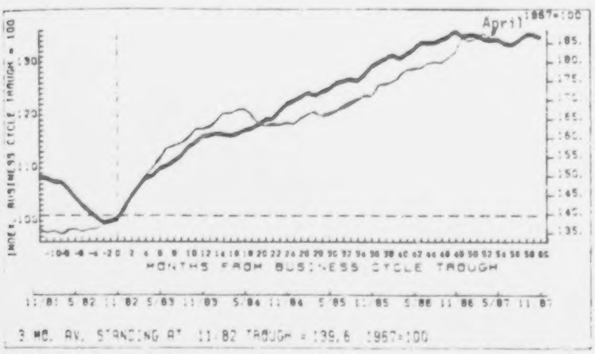
3 MO. AV. STANDING AT 11/82 TROUGH = 140.5 1967=100

3. COINCIDENT EMPLOYMENT INDEX (CIBCR)



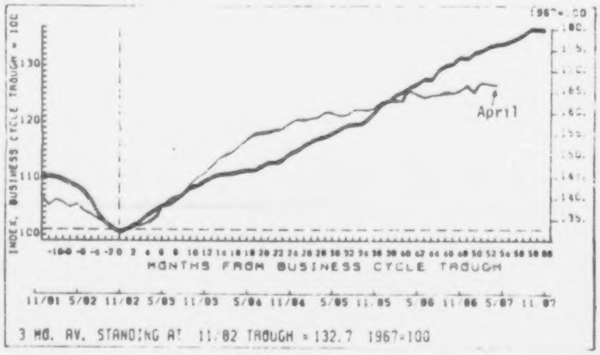
3 MO. AV. STANDING AT 11/82 TROUGH = 140.2 1967=100

4. LEADING INDEX (BCD)



3 MO. AV. STANDING AT 11/82 TROUGH = 139.6 1967=100

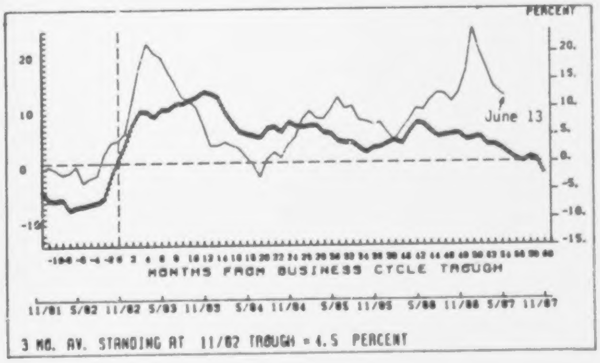
5. COINCIDENT INDEX (BCD)



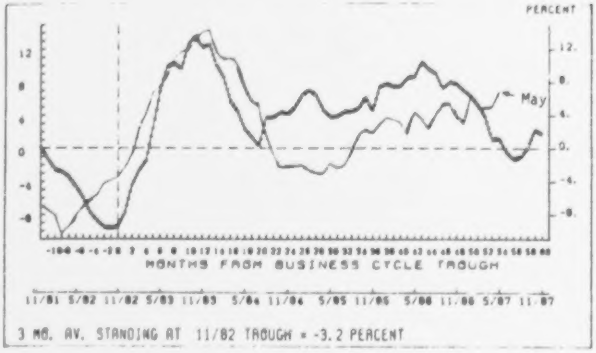
3 MO. AV. STANDING AT 11/82 TROUGH = 132.7 1967=100

COMPOSITE INDEX GROWTH RATES

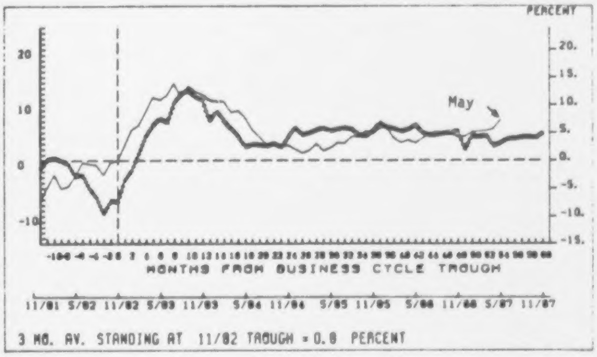
6. BUSINESS WEEK LEADING INDEX, G.R.



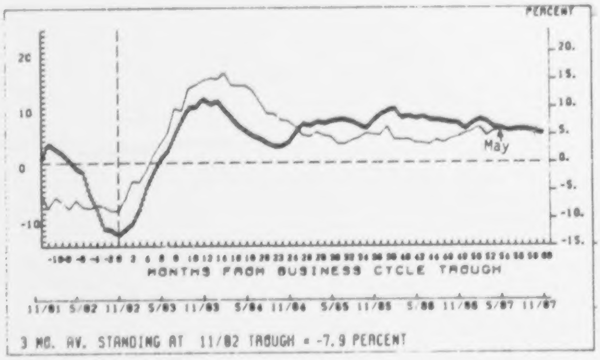
6A. N.A.P.M. LEADING INDEX, G.R.



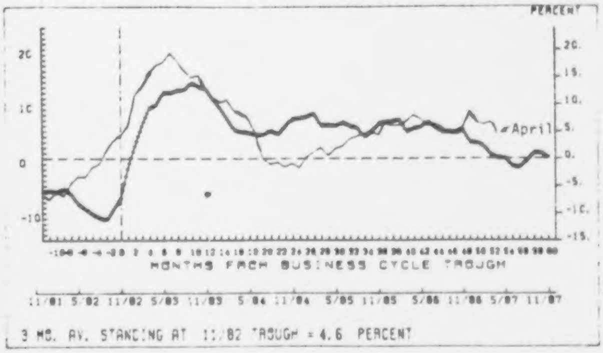
7. LEADING EMPLOYMENT INDEX, G.R.



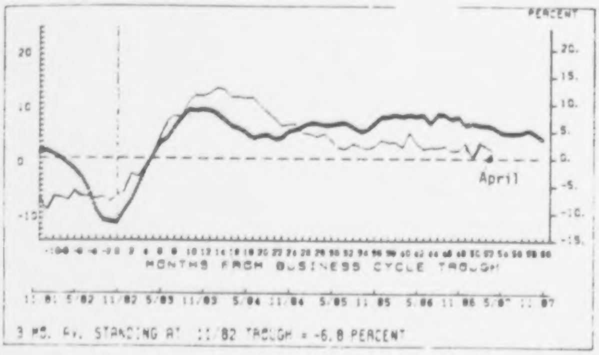
8. COINCIDENT EMPLOYMENT INDEX, G.R.



9. LEADING INDEX, G.R.(BCD)

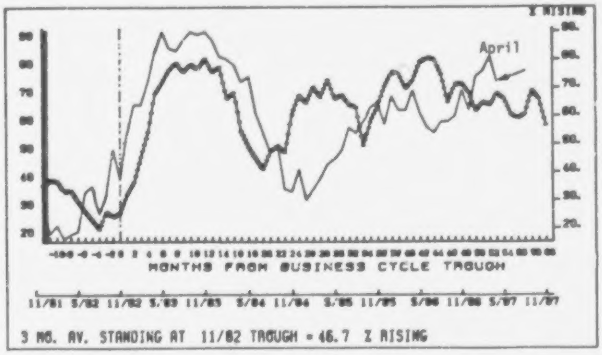


10. COINCIDENT INDEX, G.R.(BCD)

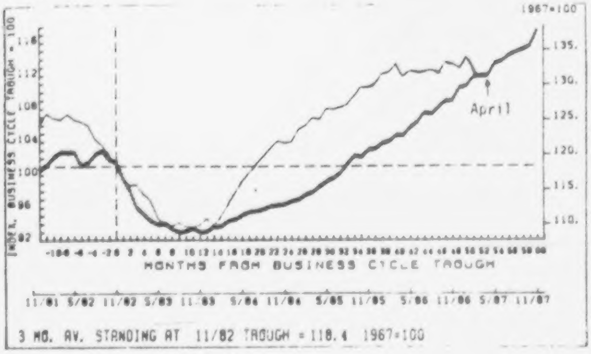


OTHER COMPOSITE INDEXES

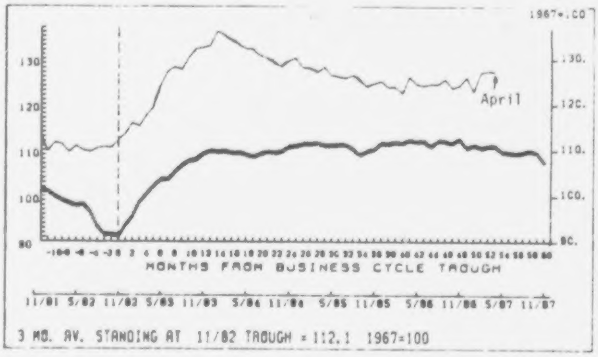
11. DIFFUSION INDEX OF LEADING INDICATORS (CIBCR)



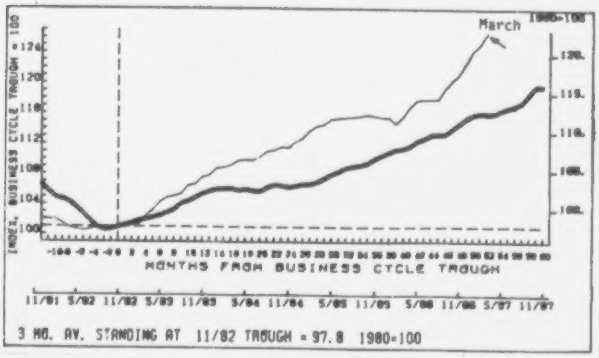
12. LAGGING INDEX (BCD)



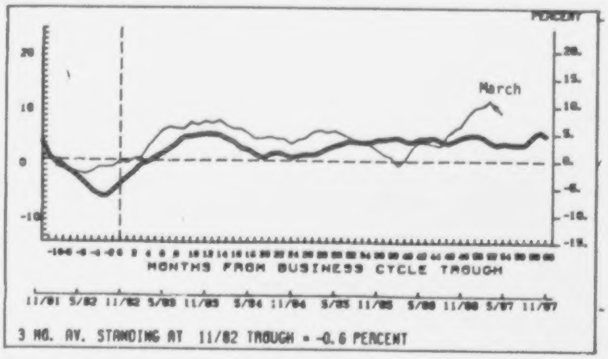
13. RATIO, COINC. TO LAGGING INDEX



14. 8-COUNTRY LEADING INDEX (CIBCR)*



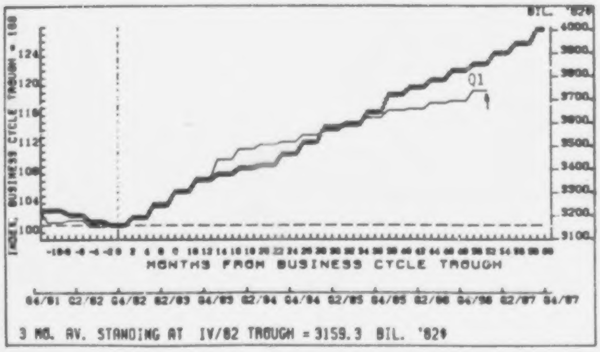
15. EIGHT-COUNTRY LEADING INDEX, G.R.



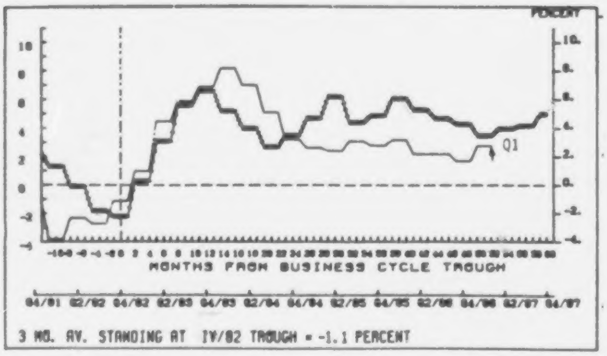
*Canada, United Kingdom, West Germany, France, Italy, Japan, Australia & Taiwan.

OUTPUT, INCOME AND SALES

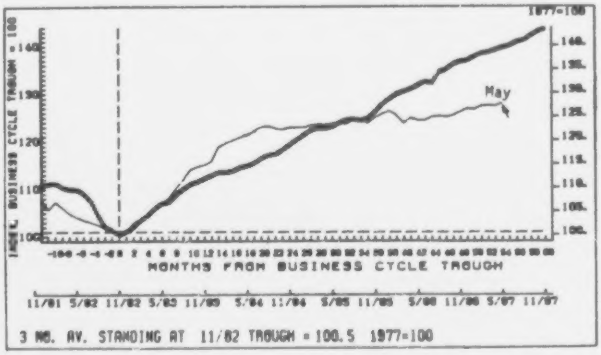
16. REAL GNP



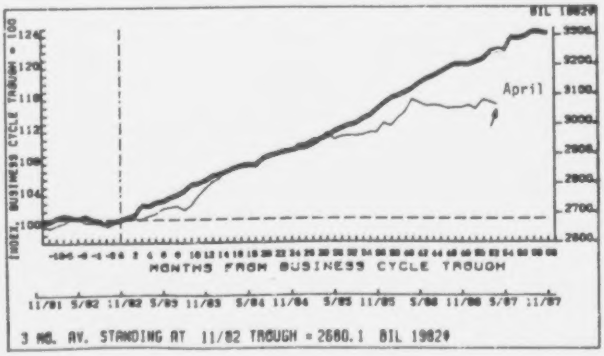
17. REAL GNP, GROWTH RATE



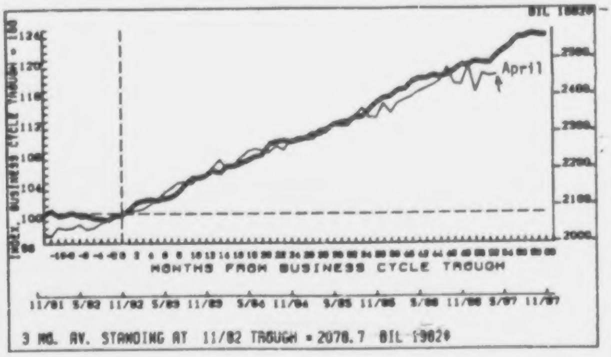
18. INDUSTRIAL PRODUCTION INDEX



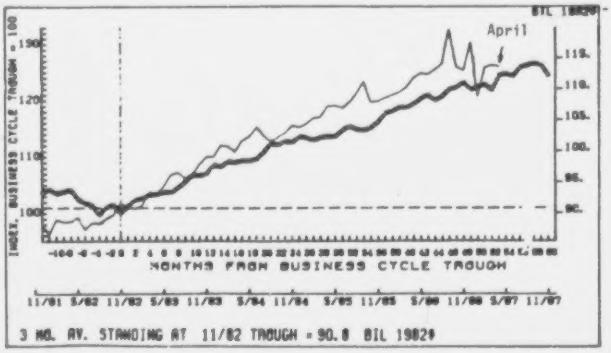
19. REAL PERSONAL INCOME



20. REAL CONSUMER EXPENDITURES

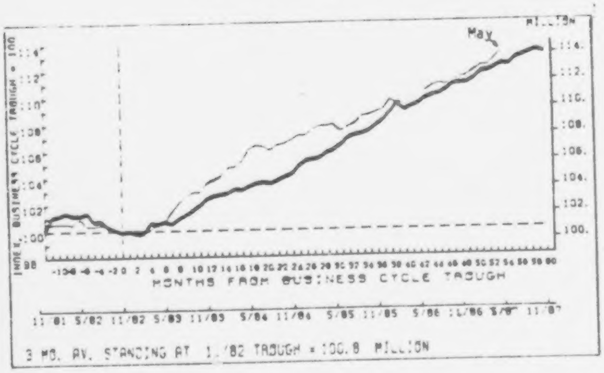


21. REAL RETAIL SALES



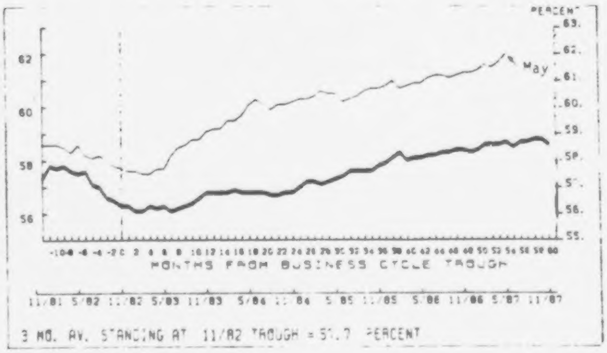
EMPLOYMENT

22. TOTAL EMPLOYMENT



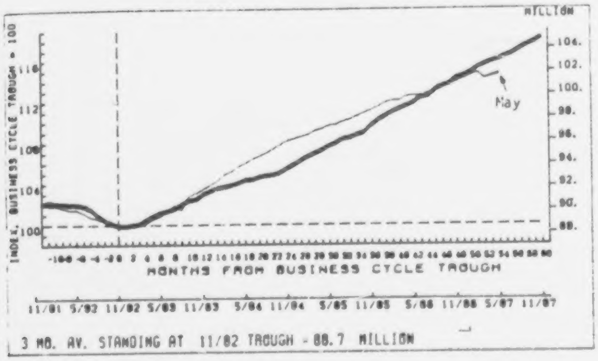
3 MO. AV. STANDING AT 11/82 TROUGH = 100.8 MILLION

23. EMPLOYMENT TO POPULATION RATIO



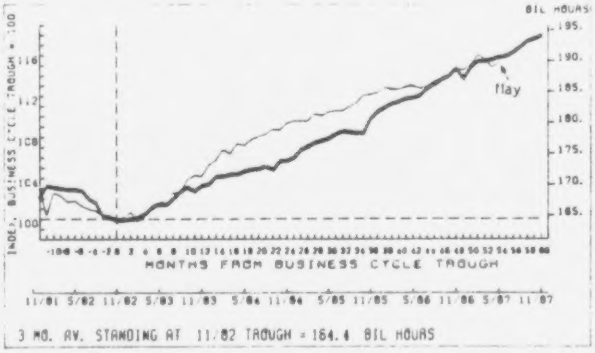
3 MO. AV. STANDING AT 11/82 TROUGH = 57.7 PERCENT

24. NONFARM EMPLOYMENT



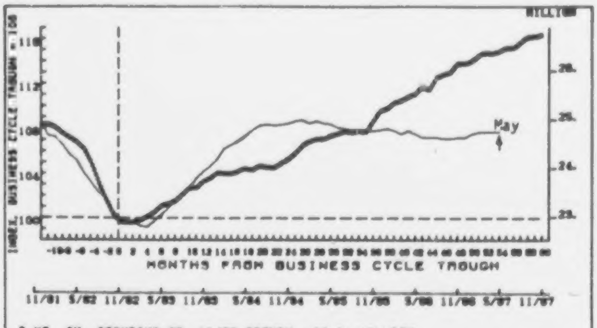
3 MO. AV. STANDING AT 11/82 TROUGH = 88.7 MILLION

25. NONFARM EMPLOYEE HOURS



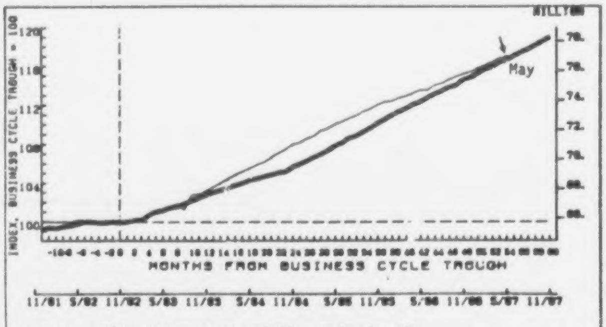
3 MO. AV. STANDING AT 11/82 TROUGH = 164.4 BIL HOURS

26. EMPLOYMENT IN GOODS-PROD. INDUS.



3 MO. AV. STANDING AT 11/82 TROUGH = 23.0 MILLION

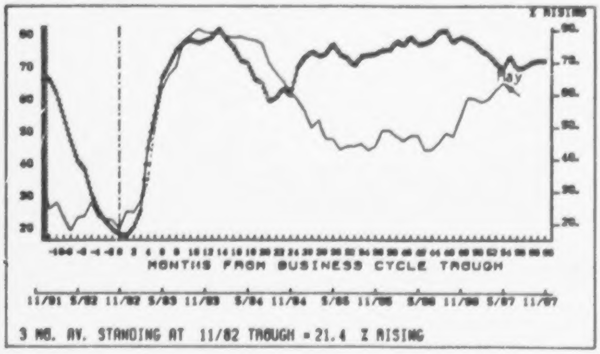
27. EMPLOYMENT IN SERVICE-PROD. INDUS.



3 MO. AV. STANDING AT 11/82 TROUGH = 65.7 MILLION

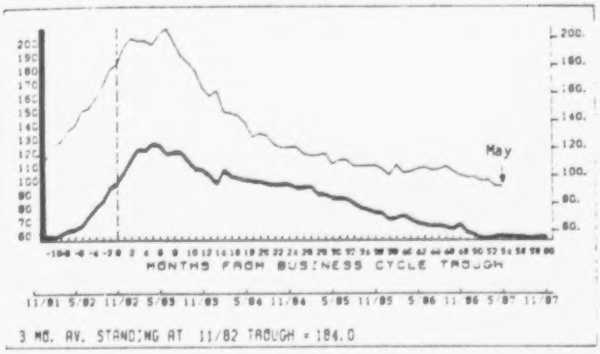
UNEMPLOYMENT

28. EMPLOY. DIFFUS. INDEX, 186 INDUS.



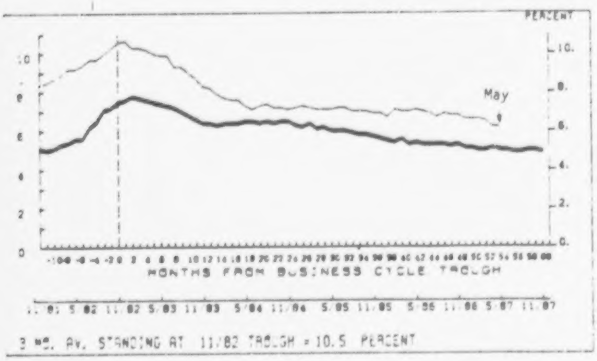
3 MO. AV. STANDING AT 11/82 TROUGH = 21.4 % RISING

29. UNEMPLOYMENT SEVERITY INDEX



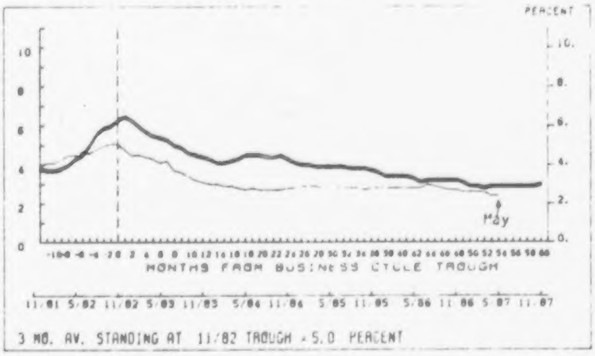
3 MO. AV. STANDING AT 11/82 TROUGH = 184.0

30. UNEMPLOYMENT RATE: TOTAL



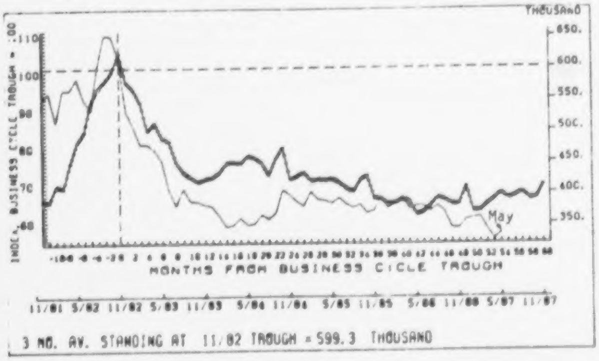
3 MO. AV. STANDING AT 11/82 TROUGH = 10.5 PERCENT

31. UNEMPLOYMENT RATE: INSURED



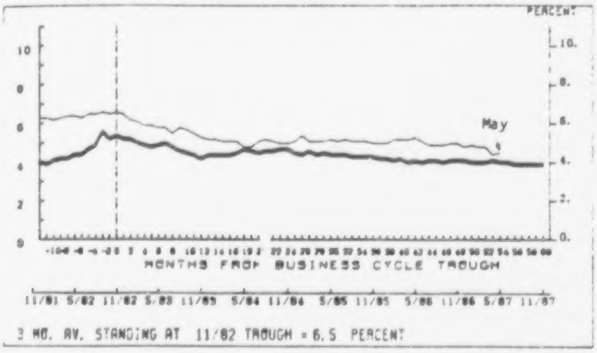
3 MO. AV. STANDING AT 11/82 TROUGH = 5.0 PERCENT

32. INITIAL CLAIMS, UNEMPLOY. INSUR.



3 MO. AV. STANDING AT 11/82 TROUGH = 599.3 THOUSAND

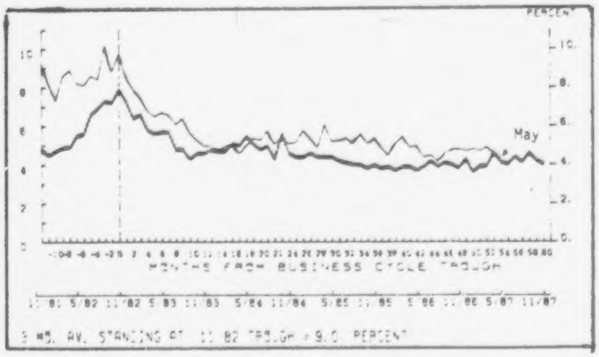
33. SHORT-DUR. UNEMPLOYMENT RATE



3 MO. AV. STANDING AT 11/82 TROUGH = 6.5 PERCENT

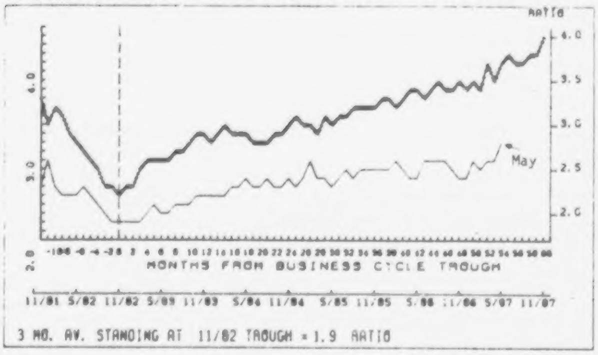
OTHER LEADING EMPLOYMENT INDICATORS

34. LAYOFF RATE UNDER 5 WEEKS



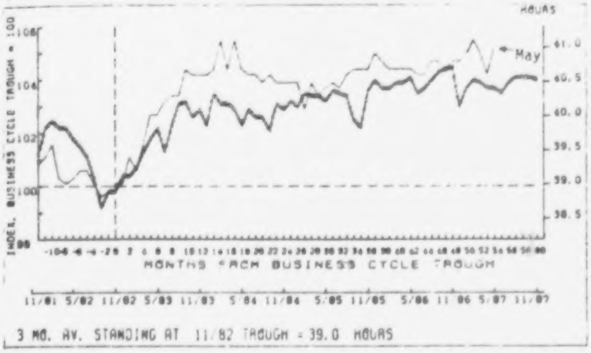
3 MO. AV. STANDING AT 11/82 TROUGH = 9.0 PERCENT

35. VOL. TO INVOL. PART-TIME EMPL. RATIO



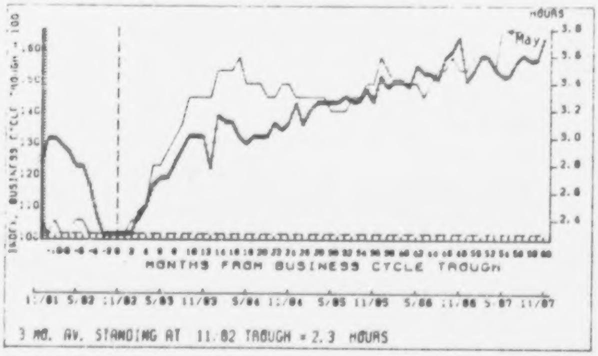
3 MO. AV. STANDING AT 11/82 TROUGH = 1.9 RATIO

36. AVERAGE WORKWEEK, MFG.



3 MO. AV. STANDING AT 11/82 TROUGH = 39.0 HOURS

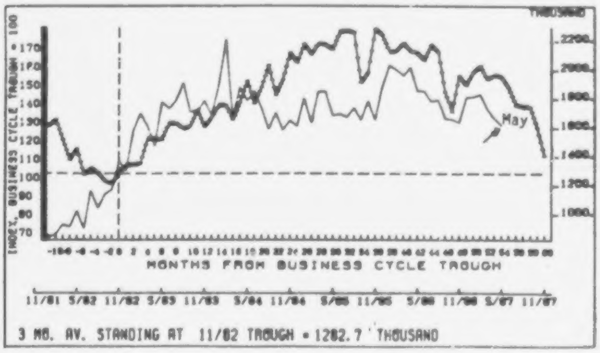
37. OVERTIME HOURS, MFG.



3 MO. AV. STANDING AT 11/82 TROUGH = 2.3 HOURS

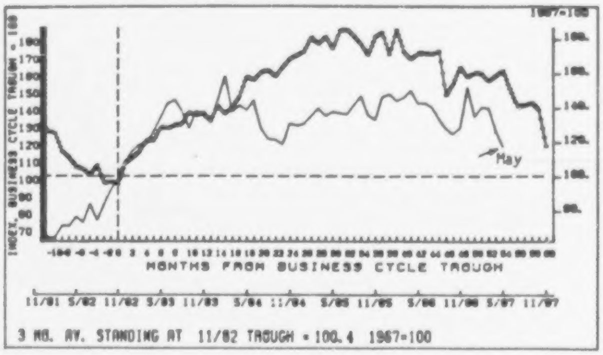
INVESTMENT COMMITMENTS AND INVENTORIES

38. NEW PRIVATE HOUSING STARTS



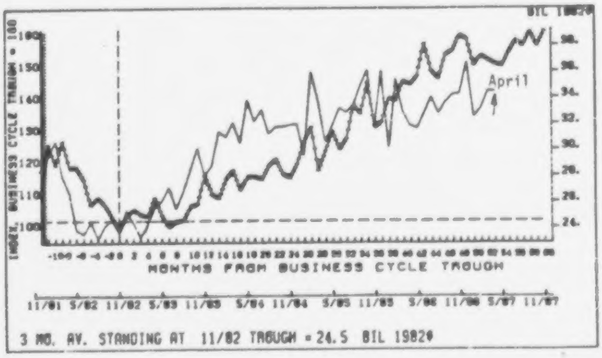
3 MO. AV. STANDING AT 11/82 TROUGH = 1282.7 THOUSAND

39. NEW PRIVATE HOUSING PERMITS



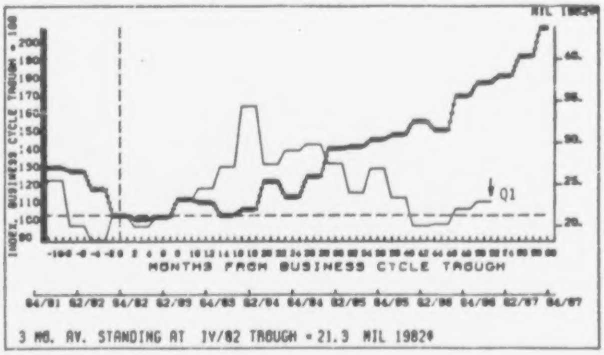
3 MO. AV. STANDING AT 11/82 TROUGH = 100.4 1967=100

40. CONTRACTS & ORDERS, PLANT & EQUIP.



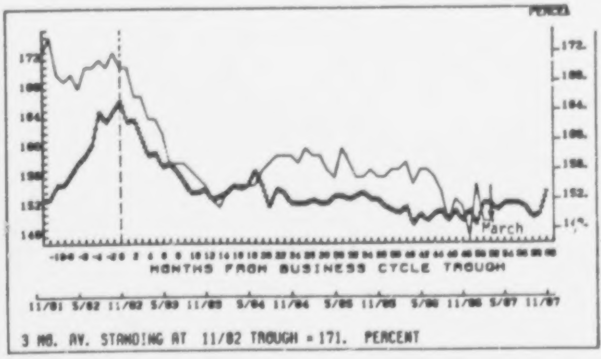
3 MO. AV. STANDING AT 11/82 TROUGH = 24.5 BIL 1982$

41. NEW CAPITAL APPROPRIATIONS, MFG.



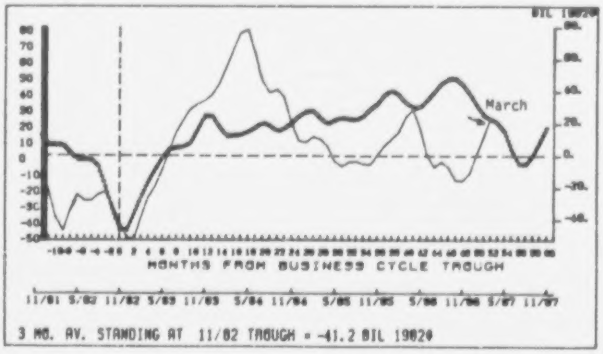
3 MO. AV. STANDING AT IV/82 TROUGH = 21.3 MIL 1982$

42. INV./SALES RATIO, MFG. AND TRADE



3 MO. AV. STANDING AT 11/82 TROUGH = 171. PERCENT

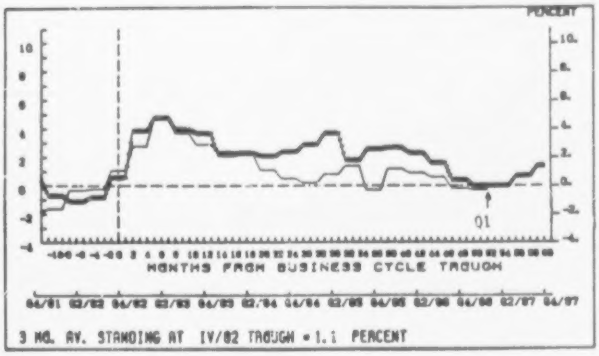
43. CHANGE IN INV. ON HAND & ON ORDER



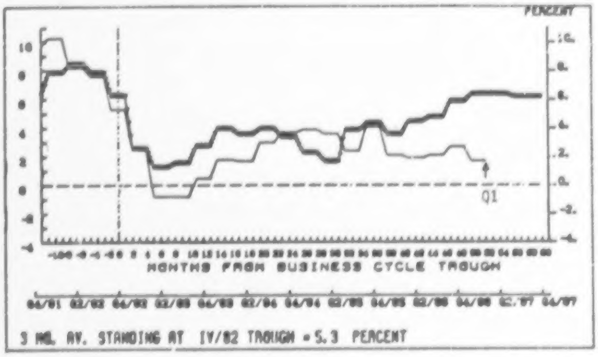
3 MO. AV. STANDING AT 11/82 TROUGH = -41.2 BIL 1982$

PRODUCTIVITY, WAGES, COSTS, PRICES AND PROFITS

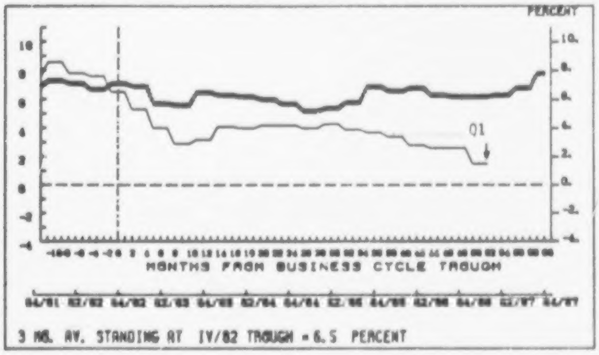
44. OUTPUT PER HOUR, G.R.



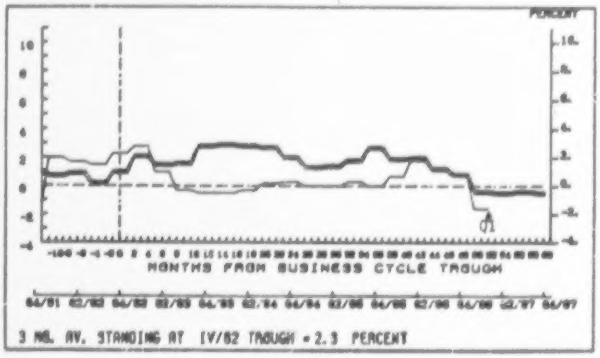
45. UNIT LABOR COSTS, G.R.



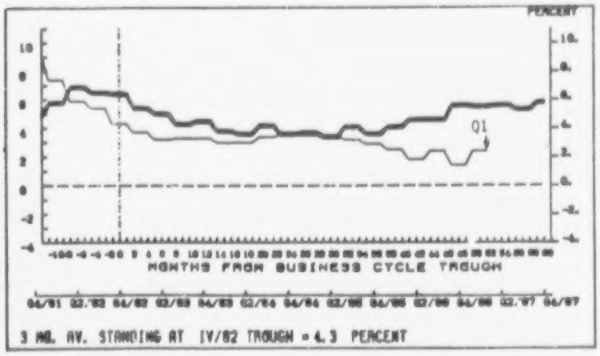
46. HOURLY COMPENSATION, G.R.



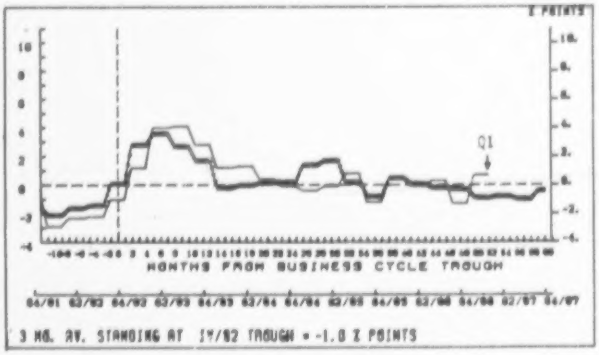
47. REAL HOURLY COMPENSATION, G.R.



48. SELLING PRICE INDEX, G.R.

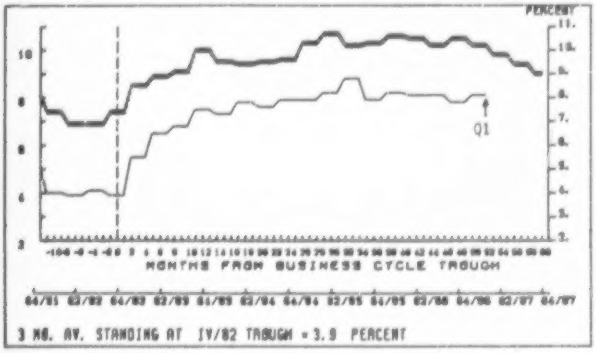


49. G.R. IN PRICES MINUS G.R. IN COSTS

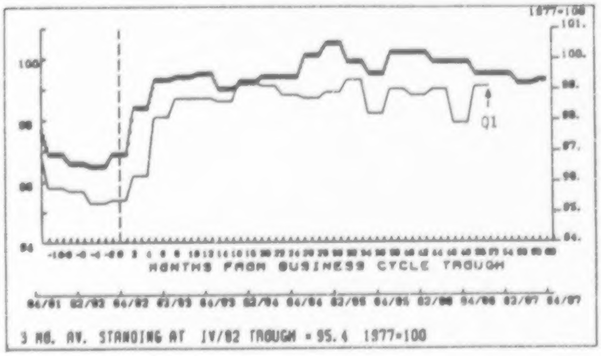


PRODUCTIVITY, WAGES, COSTS, PRICES AND PROFITS, cont.

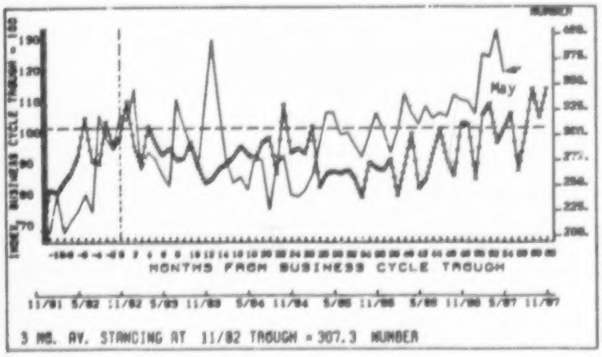
50. CORPORATE PROFIT MARGIN



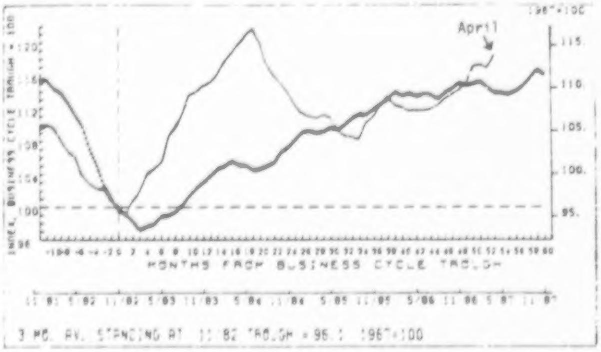
51. PRICE/LABOR COST RATIO



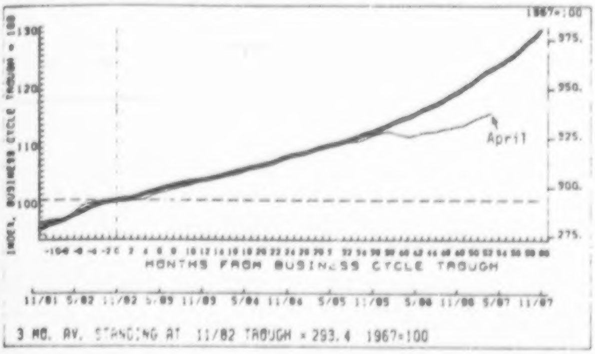
52. LARGE BUSINESS FAILURES



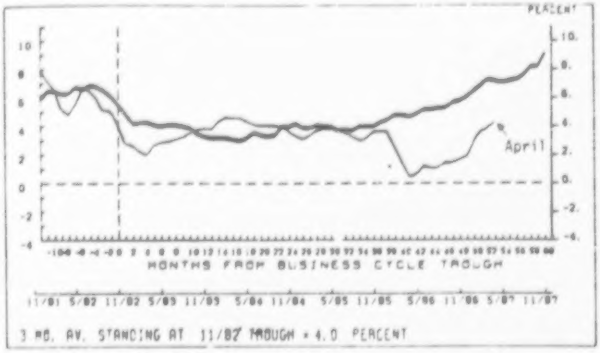
53. LEADING INDEX OF INFLATION (CIBCR)



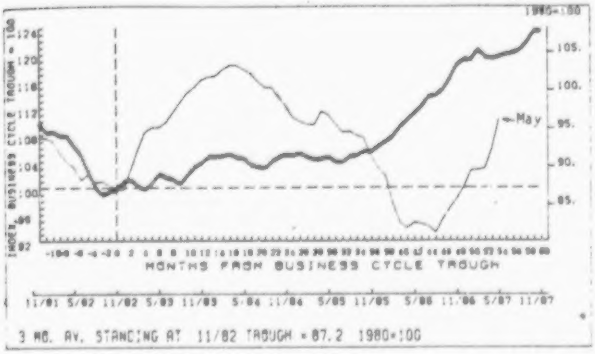
54. CONSUMER PRICE INDEX



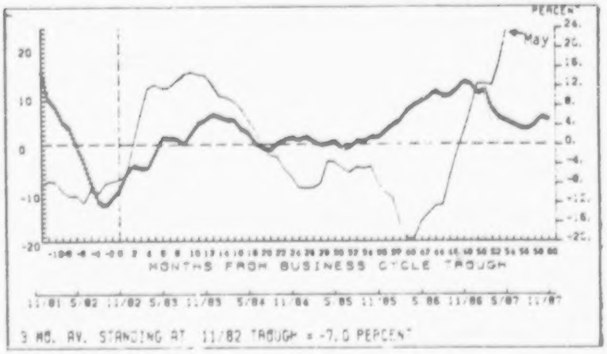
55. CONSUMER PRICE INDEX, G.R.



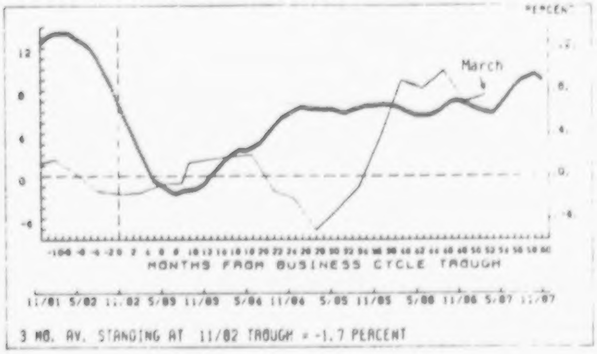
56. INDUSTRIAL MATERIALS PRICE INDEX



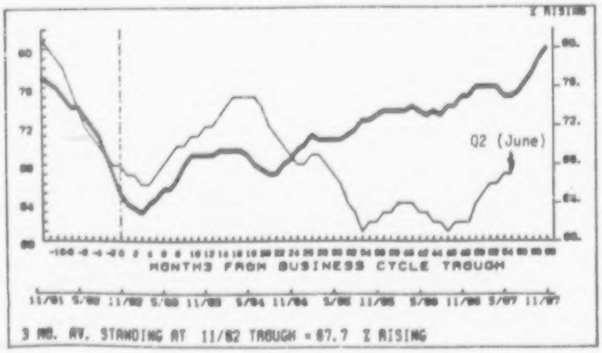
57. INDUS. MATERIALS PRICE INDEX, G.R.



58. IMPORT PRICE INDEX (EXCLUDING FUELS), G.R.

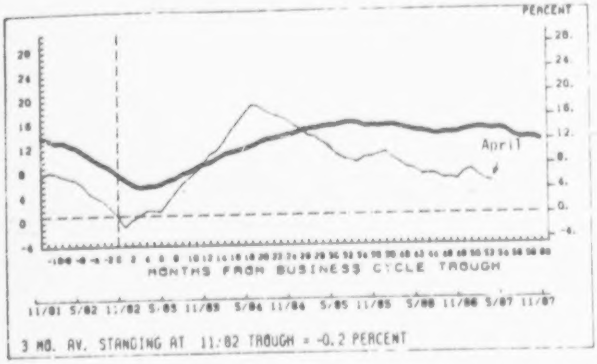


59. BUSINESSMEN'S ANTICPATED SELLING PRICES (SURVEY)



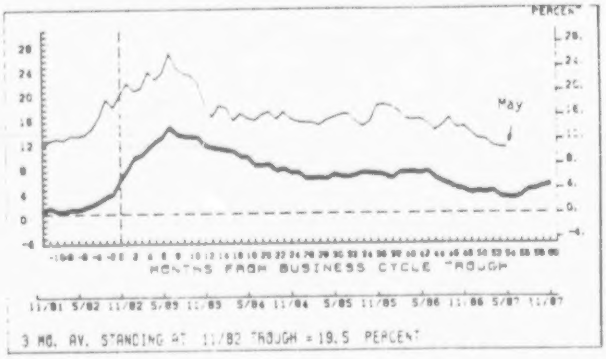
MONEY, CREDIT, INTEREST RATES AND STOCK PRICES

60. BUSINESS & CONSUMER DEBT, G.R.



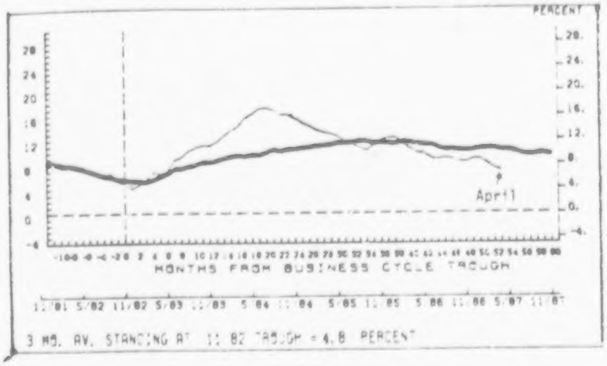
3 MO. AV. STANDING AT 11/82 TROUGH = -0.2 PERCENT

61. FEDERAL DEBT, G.R.



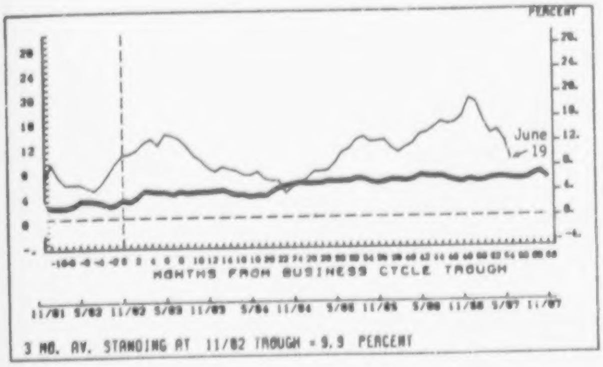
3 MO. AV. STANDING AT 11/82 TROUGH = 19.5 PERCENT

62. TOTAL DEBT, G.R.



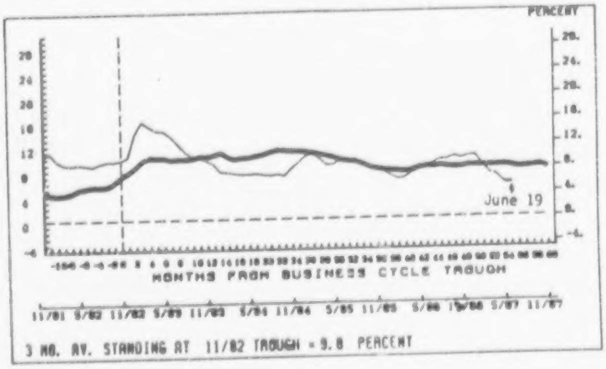
3 MO. AV. STANDING AT 11/82 TROUGH = 4.8 PERCENT

63. MONEY SUPPLY (M1), G.R.



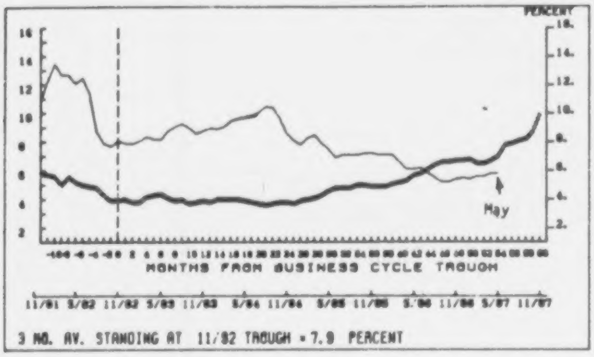
3 MO. AV. STANDING AT 11/82 TROUGH = 9.9 PERCENT

64. MONEY SUPPLY (M2), G.R.

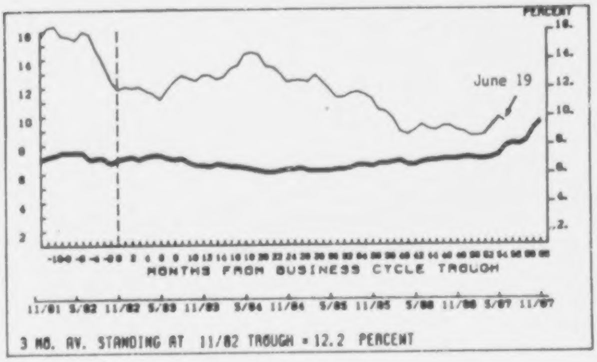


3 MO. AV. STANDING AT 11/82 TROUGH = 9.8 PERCENT

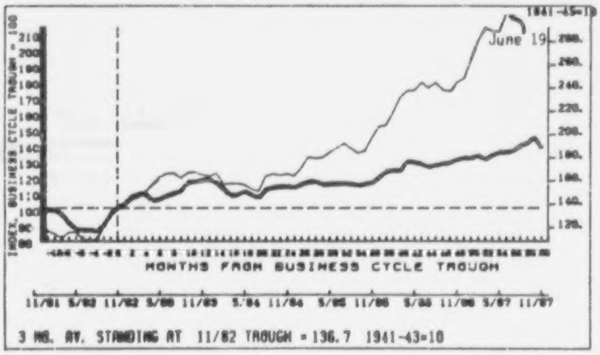
65. TREASURY BILL RATE (3-MONTH)



66. NEW CORPORATE BOND YIELD (AA)



67. COMMON STOCK PRICE INDEX (S&P 500)



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Center for International Business Cycle Research
323 Uris Hall, Columbia University
New York, NY 10027
Telephone: (212) 280-2916

ABOUT THIS REPORT

RECESSION-RECOVERY WATCH is a bimonthly report designed to analyze current business cycle trends in terms of previous recession or recovery patterns in the United States.

This report was begun in August 1979, under the direction of Dr. Geoffrey H. Moore, following the methodology for measuring recessions developed at the National Bureau of Economic Research. Although no forecasts are made, the materials in this report do permit glimpses into the future: first by analyzing the behavior of various leading indicators; second, by indicating what is likely to happen in terms of what did happen in previous recessions and recoveries.

The leading indicators used in this report are relevant to future output and employment because they represent actions taken, like the placing of orders, that will result in future output, or because they reflect factors, like profits, that influence future decisions on output. The record of what happens during the latter stages of business cycles is relevant because of the family resemblance among successive cycles, a resemblance that has its origin in the processes by which business cycles are generated. Every business cycle has its own surprises, partly because of policy actions taken, but many developments are not surprising, having occurred many times before. The historical comparisons contained in this report help one anticipate what is typical and distinguish it from the unusual.

A 1985 Supplement to Recession-Recovery Watch contains a detailed set of tables analyzing the behavior of all the indicators in this report during each cycle from 1948 to 1985.

Other CIBCR publications include International Economic Indicators, a monthly 70-page data compilation on leading and coincident indicators for nine industrial countries. Monthly press releases are issued on a leading index of inflation and a leading employment index for the United States.

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RECESSION - RECOVERY WATCH

**A Bimonthly Report
Designed to Assist in the Evaluation
of Current Business Conditions**

Published by the **Center for International Business Cycle Research,**
Columbia Business School, Columbia University, New York, NY 10027

Dr. Geoffrey H. Moore
Director

Vol. 9, No. 4
August 1987

Summary

A new approach compares the current expansion, which is close to five years old, with the 1975-80 expansion, which lasted 58 months and the 1961-69 expansion, which lasted 106 months. The three leading indexes regularly shown here do not reveal the signs of weakness that appeared when the 1975-80 expansion was about to expire. They are doing as well as or better than they did in the 1961-69 expansion, which still had a long way to go.

Measures of employment confirm what the leading indexes have to say about the strength of the current expansion relative to 1961-69, but measures of output have been more sluggish.

The leading inflation index has climbed higher than at the same stage of the 1975-80 and 1961-69 expansions, an ominous sign. Nevertheless, the inflation rate still remains at an intermediate level, held down by relatively stable labor costs.

The Lengthening Expansion

In November 1987 the economic expansion that began in November 1982 will celebrate its fifth birthday, assuming that the positive signals emanating from the leading indicators are correct. By then it will have exceeded the 1975-80 expansion, which lasted 58 months, but will still be well short of the 1961-69 expansion, which lasted 106 months.

In view of this likely development we have extended the Recession-Recovery charts to 72 months and now compare the current expansion with each of the previous two long expansions separately. That makes it easy to observe the effects of the brief recession that followed the 1975-80 expansion and to compare that development with the current situation. The peak and trough dates of the 1980 recession (January 1980 and July 1980, respectively) are identified on the charts. Comparisons with the recession-free expansion of 1961-69 can also readily be made. That expansion encompassed the Vietnam War and the military buildup probably accounts in part for its length. It was interrupted only by a slowdown (then called a mini-recession) in 1966-67, starting in June 1966, the 64th month of the expansion.

The Business Week (BW) leading index, the CIBCR leading employment index, and the BCD leading index (Charts 1, 2, 4) look distinctly more favorable now than they did at the same time in the 1975-80 expansion, which was shortly before the 1980 recession began. The bull market in stock prices (Chart 67) is clearly giving a lift to the BW and the BCD indexes, but since the leading employment index does not include stock prices its favorable trend means that other factors are at work also.

Relative to the 1961-69 expansion the BW index is clearly doing well, although its growth rate has been slowing lately. The other two indexes are moving on a path very similar to the one they were following in 1961-69. That augurs well for continued expansion.

In terms of output, employment, real income and sales the expansion shows no evidence of the weakness that became apparent about this time in the 1975-80 expansion. The growth rate in real GNP was then slackening sharply, whereas in the first half of 1987 it has been higher than in 1986 (Chart 17). The unemployment rate was then beginning to climb, whereas lately it has been dropping (Chart 30). Relative to the 1961-69 expansion the employment figures look about as favorable as they did then, but the output figures are not as strong. This may be partly due to measurement problems, as evidenced by the recent upward revisions of the GNP data, or to slower productivity growth during the 1980's relative to the 1960's (Chart 44).

The Inflation Threat

The leading index of inflation has continued to climb through June, and stands higher than it did at the corresponding stage of the 1975-80 and 1961-69 expansion (Chart 53). Rapid increases in industrial materials prices (including oil) and in import prices (excluding fuels) are the main factors pushing up the leading index (Charts 57 & 58). The inflation rate itself has been running well below the elevated levels it reached during the 1975-80 expansion (Chart 55). It is tracking closer to its course during 1961-69, though it is now above that track. The crucial element in the outlook for inflation seems to be the course taken by labor costs per unit of output, which so far have not been climbing at anything like the rapid pace of 1975-80 (Chart 45). Cost containment is one of the best prescriptions for a long-lived expansion with low inflation.

RECESSION-RECOVERY SERIES AND CHARTS

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4 Leading Index (BCD 910) (L,L,L) . . . 11
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A GUIDE TO RECESSION-RECOVERY WATCH TABLES

As readers of Recession-Recovery Watch know, the record of previous business cycle expansions provides a guide to the future prospects of the current expansion. The idea is, of course, incorporated in the Recession-Recovery Watch pattern charts and tables.

The tables cover more than sixty indicators and give the information needed to compare the current expansion with two very long expansion since 1961. The two very long expansions are: 1961-69, (106 months) and 1975-80 (58 months). The expansions that are excluded covered the following periods: 1949-53, 45 months; 1954-57, 39 months; 1958-60, 24 months; 1970-73, 36 months; 1980-81, 12 months.

Series that are expressed as growth rates, changes, or ratios appear as actual values (Table 1) and as differences from business percentages of business cycle trough standings (Table 3). All other series are expressed as percentages of business cycle trough standings (Table 2). The standing is a three month average centered on the trough month. In the case of quarterly series the trough standing is the figure for the business cycle trough quarter. The monthly and quarterly trough dates are those established by the National Bureau of Economic Research.

TABLE 1

RECESSION-RECOVERY STATUS UP TO 54 MONTHS AFTER THE BUSINESS CYCLE TROUGH

Actual Levels

		UNIT	Months After Business cycle Trough	Expansions Starting Feb. 1961	Expansions Starting Mar. 1975	Current Expansion Starting Nov. 1982	Last Month or Quarter Available
I.	Composite Indexes						
6.	BUSINESS WEEK LEADING INDEX, GROWTH RATE	%	56	5.0	-3.7	9.1	JULY
6A.	N.A.P.M. INDEX, GROWTH RATE	%	56	1.1	-3.7	6.8	JULY
7.	LEADING EMPLOYMENT INDEX, GROWTH RATE	%	56	7.7	0.4	6.3	JULY
8.	COINCIDENT EMPLOYMENT INDEX, GROWTH RATE	%	56	9.2	2.7	5.9	JULY
9.	LEADING INDEX, GROWTH RATE.	%	55	3.7	-6.3	6.7	JUNE
10.	COINCIDENT INDEX, GROWTH RATE	%	55	8.6	0.6	1.7	JUNE
11.	DIFFUSION INDEX OF LEADING INDICATORS	% RISING	56	67.0	51.0	82.0	JULY
13.	RATIO, COINCIDENT TO LAGGING INDEX	1967=100	55	99.7	119.5	129.0	JUNE
15.	EIGHT-COUNTRY LEADING INDEX, GROWTH RATE	%	54	-0.6	6.9	11.0	MAY
II.	Output, Income and Sales						
17.	REAL GNP GROWTH RATE	%	18Q	6.3	1.8	2.7	Q2
III.	Employment and Unemployment						
23.	EMPLOYMENT TO POPULATION RATIO	%	56	57.1	60.3	62.0	JULY
28.	EMPLOYMENT DIFFUSION INDEX, 186 INDUS.	% RISING	56	86.8	49.2	68.9	JULY
29.	UNEMPL. SEVERITY INDEX	WEEKS PER 100 IN LABOR FORCE	56	49.6	61.5	82.6	JULY
30.	UNEMPLOYMENT RATE: TOTAL	%	56	4.1	5.8	5.9	JULY
31.	UNEMPLOYMENT RATE: INSURED	%	56	2.7	3.1	2.4	JULY
33.	SHORT-DURATION UNEMPLOYMENT RATE	%	56	3.2	4.6	4.4	JULY
34.	LAYOFF RATE UNDER 5 WEEKS (TIMES 10)	%	56	3.3	5.5	4.0	JULY
35.	PART-TIME EMPLOYMENT RATIO	%	56	3.7	3.6	2.7	JULY
IV.	Investment Commitments and Inventories						
42.	INVENTORY/SALES RATIO (TIMES 10)	%	54	14.4	15.9	15.4	MAY
43.	CHANGE IN INVENTORIES ON HAND & ON ORDER	BIL. 82$.	54	30.2	0.5	29.9	MAY
V.	Productivity, Wages, Costs, Prices and Profits						
44.	OUTPUT PER HOUR, GROWTH RATE	%	18Q	2.7	-2.7	0.6	Q2
45.	UNIT LABOR COSTS, GROWTH RATE	%	18Q	0.6	12.2	2.0	Q2
46.	HOURLY COMPENSATION, GROWTH RATE	%	18Q	3.5	9.2	2.5	Q2
47.	REAL HOURLY COMPENSATION, GROWTH RATE	%	18Q	1.8	-2.9	-1.7	Q2
48.	SELLING PRICE INDEX, GROWTH RATE	%	18Q	1.9	9.3	2.2	Q2
49.	GROWTH IN PRICES MINUS GROWTH IN COSTS	% POINTS	18Q	1.3	-2.9	0.2	Q2
50.	CORPORATE PROFIT MARGIN	%	17Q	13.6	6.8	6.4	Q1
51.	PRICE/LABOR COST RATIO	1977=100	18Q	102.0	97.1	99.2	Q2
55.	CONSUMER PRICE INDEX, GROWTH RATE	%	56	1.5	13.1	4.2	JULY
57.	INDUSTRIAL MAT. PRICE INDEX, GROWTH RATE	%	56	-0.1	6.9	24.8	JULY
58.	IMPORT PRICES EXCL. FUELS, GROWTH RATE	%	55	3.0	12.0	9.0	Q2(JUN)
59.	ANTICIPATED SELLING PRICES (D&B SURVEY)	% RISING	55	61.0	89.0	67.0	Q2(JUN)
VI.	Money, Credit, Interest Rates and Stock Prices						
60.	BUSINESS & CONSUMER DEBT, GROWTH RATE	%	55	12.6	14.7	5.0	JUNE
61.	FEDERAL DEBT, GROWTH RATE	%	56	0.5	5.2	8.3	JULY
62.	TOTAL DEBT, GROWTH RATE	%	55	7.8	12.3	7.1	JUNE
63.	MONEY SUPPLY (M1), GROWTH RATE	%	56	5.0	6.8	6.6	JULY
64.	MONEY SUPPLY (M2), GROWTH RATE	%	56	8.1	7.5	3.9	JULY
65.	TREASURY BILL RATE (3-MONTH)	%	56	4.0	11.8	5.7	JULY
66.	NEW CORPORATE BOND YIELD (AA)	%	56	4.7	11.5	9.6	JULY

TABLE 2

RECESSION-RECOVERY STATUS UP TO 54 MONTHS AFTER THE BUSINESS CYCLE TROUGH
Percentage Change from Trough Levels

		Months After Business Cycle Trough	Expansions Starting		Current Expansion Starting	Last Month or Quarter Available
			FEB. 1961	MAR. 1975	Nov. 1982	
I.	**Composite Indexes**					
1.	BUSINESS WEEK LEADING INDEX (CIBCR)	56	31.2	28.5	51.0	JULY
1A.	N.A.P.M. INDEX	56	33.0	28.7	24.2	JULY
2.	LEADING EMPLOYMENT INDEX (CIBCR)	56	34.6	26.5	33.2	JULY
3.	COINCIDENT EMPLOYMENT INDEX (CIBCR)	56	33.5	41.6	38.7	JULY
4.	LEADING INDEX (BCD)	55	34.5	30.2	36.4	JUNE
5.	COINCIDENT INDEX (BCD)	55	34.6	32.3	26.3	JUNE
12.	LAGGING INDEX (BCD)	55	18.5	7.0	9.7	JUNE
14.	EIGHT-COUNTRY LEADING INDEX (CIBCR)	54	6.0	24.9	27.4	MAY
II.	Output, Income and Sales					
16.	REAL GNP	18Q	25.6	21.4	20.1	Q2
18.	INDUSTRIAL PRODUCTION INDEX	56	45.8	34.2	29.1	JULY
19.	REAL PERSONAL INCOME	55	26.6	19.2	17.2	JUNE
20.	REAL CONSUMER EXPENDITURES	55	24.4	19.4	20.1	JUNE
21.	REAL RETAIL SALES	55	25.9	20.7	24.2	JUNE
III.	Employment and Unemployment					
22.	TOTAL EMPLOYMENT	56	8.9	16.4	13.6	JULY
24.	NONFARM EMPLOYMENT	56	15.1	18.2	15.1	JULY
25.	NONFARM EMPLOYEE-HOURS	56	15.6	17.2	15.6	JULY
26.	EMPLOYMENT IN GOODS-PRODUCING INDUSTRIES.	56	13.2	17.1	8.1	JULY
27.	EMPLOYMENT IN SERVICE-PRODUCING INDUSTRIES	56	16.2	18.7	17.5	JULY
32.	INITIAL CLAIMS, UNEMPLOYMENT INSURANCE	56	-47.8	-20.7	-44.1	JULY
36.	AVERAGE WORKWEEK, MANUFACTURING	56	4.8	2.9	5.2	JULY
37.	OVERTIME HOURS, MANUFACTURING	56	76.2	33.3	65.2	JULY
IV.	Investment Commitments and Inventories					
38.	NEW PRIVATE HOUSING STARTS	56	17.1	57.5	25.6	JULY
39.	NEW PRIVATE HOUSING PERMITS	56	26.1	55.8	18.2	JULY
40.	CONTRACT & ORDERS, PLANT & EQUIPMENT	55	57.7	47.7	52.3	JUNE
41.	NEW CAPITAL APPROPRIATIONS, MANUFACTURING	17Q	114.1	35.8	7.9	Q1
V.	Productivity, Wages, Costs, Prices and Profits					
52.	LARGE BUSINESS FAILURES	56	-18.2	-9.5	-6.3	JULY
53.	LEADING INDEX OF INFLATION (CIBCR)	55	9.2	18.2	21.2	JUNE
54.	CONSUMER PRICE INDEX, ALL URBAN CONSUMERS	56	6.0	44.1	16.2	JULY
56.	INDUSTRIAL MATERIALS PRICE INDEX	56	6.9	33.5	14.2	JULY
VI.	Money, Credit, Interest Rates and Stock Prices					
67.	STOCK PRICE INDEX (S&P 500)	56	47.4	25.1	126.8	JULY

TABLE 3

RECESSION-RECOVERY STATUS UP TO 54 MONTHS AFTER THE BUSINESS CYCLE TROUGH

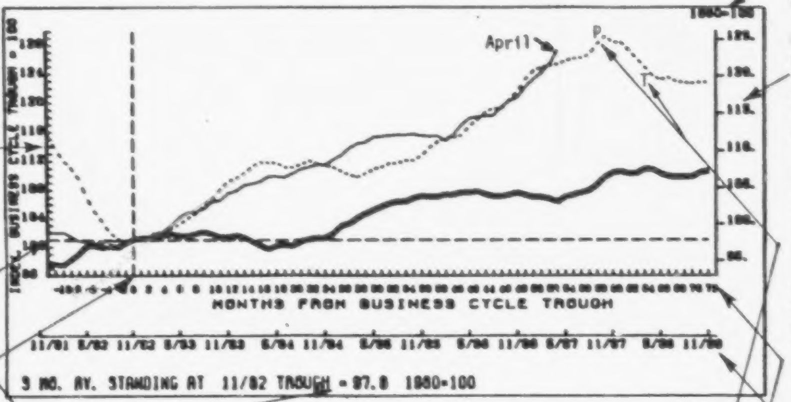
Differences from Trough Levels

				Expansions Starting			
		Unit	Months After Business Cycle Trough	FEB. 1961	MAR. 1975	Current Expansion Starting Nov. 1982	Last Month or Quarter Available
I.	Composite Indexes						
6.	BUSINESS WEEK LEADING INDEX, GROWTH RATE	%	56	-1.5	1.6	4.6	JULY
6A.	N.A.P.M. INDEX, GROWTH RATE	%	56	1.2	14.0	10.0	JULY
7.	LEADING EMPLOYMENT INDEX, GROWTH RATE	%	56	9.9	10.3	5.5	JULY
8.	COINCIDENT EMPLOYMENT INDEX, GROWTH RATE	%	56	17.2	19.4	13.8	JULY
9.	LEADING INDEX, GROWTH RATE.	%	55	2.4	7.2	2.1	JUNE
10.	COINCIDENT INDEX, GROWTH RATE	%	55	15.4	15.7	8.5	JUNE
11.	DIFFUSION INDEX OF LEADING INDICATORS	% RISING	56	30.3	33.3	35.3	JULY
13.	RATIO, COINCIDENT TO LAGGING INDEX	1967=100	55	11.9	22.8	16.8	JUNE
15.	EIGHT-COUNTRY LEADING INDEX, GROWTH RATE	%	54	-4.1	19.1	11.5	MAY
II.	Output, Income and Sales						
17.	REAL GNP GROWTH RATE	%	180	5.7	6.8	3.8	Q2
III.	Employment and Unemployment						
23.	EMPLOYMENT TO POPULATION RATIO	%	56	0.8	3.8	4.3	JULY
28.	EMPLOYMENT DIFFUSION INDEX, 186 INDUS.	% RISING	56	66.5	35.1	47.5	JULY
29.	UNEMPL. SEVERITY INDEX	WEEKS PER 100 IN LABOR FORCE	56	-41.9	-39.7	-101.4	JULY
30.	UNEMPLOYMENT RATE: TOTAL	%	56	-2.5	-2.5	-4.6	JULY
31.	UNEMPLOYMENT RATE: INSURED	%	56	-3.6	-3.2	-2.6	JULY
33.	SHORT-DURATION UNEMPLOYMENT RATE	%	56	-1.5	-1.4	-2.1	JULY
34.	LAYOFF RATE UNDER 5 WEEKS (TIMES 10)	%	56	-3.1	-3.1	-5.0	JULY
35.	PART-TIME EMPLOYMENT RATIO	%	56	2.0	0.8	0.7	JULY
IV.	Investment Commitments and Inventories						
42.	INVENTORY/SALES RATIO (TIMES 10)	%	54	-1.1	-1.4	-1.7	MAY
43.	CHANGE IN INVENTORIES ON HAND & ON ORDER	BIL. 82$.	54	55.3	59.7	71.2	MAY
V.	Productivity, Wages, Costs, Prices and Profits						
44.	OUTPUT PER HOUR, GROWTH RATE	%	180	0.9	-2.2	-0.5	Q2
45.	UNIT LABOR COSTS, GROWTH RATE	%	180	-0.7	0.8	-3.3	Q2
46.	HOURLY COMPENSATION, GROWTH RATE	%	180	0.3	-1.9	-4.0	Q2
47.	REAL HOURLY COMPENSATION, GROWTH RATE	%	180	0.0	-3.1	-4.0	Q2
48.	SELLING PRICE INDEX, GROWTH RATE	%	180	2.2	-3.9	-2.1	Q2
49.	GROWTH IN PRICES MINUS GROWTH IN COSTS	% POINTS	180	2.9	-4.7	1.2	Q2
50.	CORPORATE PROFIT MARGIN	%	170	4.4	1.1	2.5	Q1
51.	PRICE/LABOR COST RATIO	1977=100	180	5.4	-0.1	3.8	Q2
55.	CONSUMER PRICE INDEX, GROWTH RATE	%	56	0.1	3.4	0.2	JULY
57.	INDUSTRIAL MAT. PRICE INDEX, GROWTH RATE	%	56	4.6	20.0	31.8	JULY
58.	IMPORT PRICES EXCL. FUELS, GROWTH RATE	%	55	4.8	-3.6	10.7	Q2(JUN)
59.	ANTICIPATED SELLING PRICES (D&B SURVEY)	% RISING	55	6.0	13.3	-0.7	Q2(JUN)
VI.	Money, Credit, Interest Rates and Stock Prices						
60.	BUSINESS & CONSUMER DEBT, GROWTH RATE	%	55	5.0	8.8	5.2	JUNE
61.	FEDERAL DEBT, GROWTH RATE	%	56	1.0	-6.1	-11.2	JULY
62.	TOTAL DEBT, GROWTH RATE	%	55	4.0	5.1	2.3	JUNE
63.	MONEY SUPPLY (M1), GROWTH RATE	%	56	3.4	3.1	-3.3	JULY
64.	MONEY SUPPLY (M2), GROWTH RATE	%	56	1.6	0.0	-5.9	JULY
65.	TREASURY BILL RATE (3-MONTH)	%	56	1.7	6.3	-2.2	JULY
66.	NEW CORPORATE BOND YIELD (AA)	%	56	0.2	2.1	-2.6	JULY

HOW TO READ CHARTS

ACTUAL LEVEL CHARTS

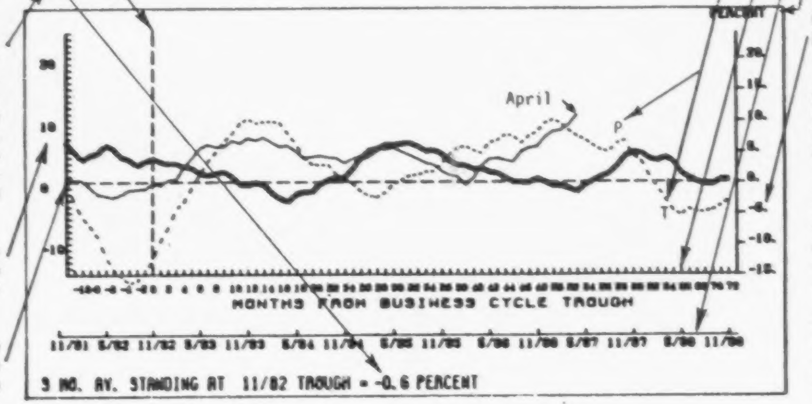
14. EIGHT-COUNTRY LEADING INDEX (CIBCR)



3 MO. AV. STANDING AT 11/82 TROUGH = 97.8 1980=100

GROWTH RATE CHARTS

15. EIGHT-COUNTRY LEADING INDEX, GROWTH RATE



3 MO. AV. STANDING AT 11/82 TROUGH = -0.6 PERCENT

TITLE: If the title does not say "growth rate," then the chart is for the actual level, rather than the growth rate.

LEFT-HAND SCALE measures movements of both current and past expansions, relative to their standing at the respective reference troughs (i.e. for each expansion the standing at the trough equals 100). This is the common vertical scale along which the expansions are compared.

HORIZONTAL DOTTED LINE shows level at reference trough (100) for current and past expansions.

VERTICAL DOTTED LINE represents reference trough dates for current and past expansions, which are all aligned so that the reference trough dates are positioned on the vertical line.

STANDING AT THE TROUGH for the current expansion (when the expansion began) is typically calculated as the 3-month average centered on the trough month.

TITLE: If the title says "growth rate," then the chart is for the "6-month smoothed growth rate," rather than the actual level. These growth rates are obtained by dividing the current month's figure by the average for the twelve preceding months, and expressing the result as a compound annual rate.

LEFT-HAND SCALE, (same as the right-hand scale) shows growth rates in percent for both current and past expansions.

HORIZONTAL DOTTED LINE is drawn typically at 0% growth rate, a natural reference level for both current and past expansions.

UNIT for right-hand scale, which refers only to the current expansion.

RIGHT-HAND SCALE refers only to current expansion. It is a transformation of the left hand scale to show the current expansion in original units rather than with trough standing = 100.

P indicates the January 1980 PEAK, marking the start of the 1980 recession, which lasted till the July 1980 TROUGH, indicated by T.

HORIZONTAL SCALE measures months from business cycle trough for both the current and the past expansions. This is the common time scale along which the recoveries are compared.

ACTUAL DATES, referring only to the current expansion.

UNIT for both scales (percent), referring to both current and past growth rates in expansions.

RIGHT-HAND SCALE, which refers to both current and past expansions.

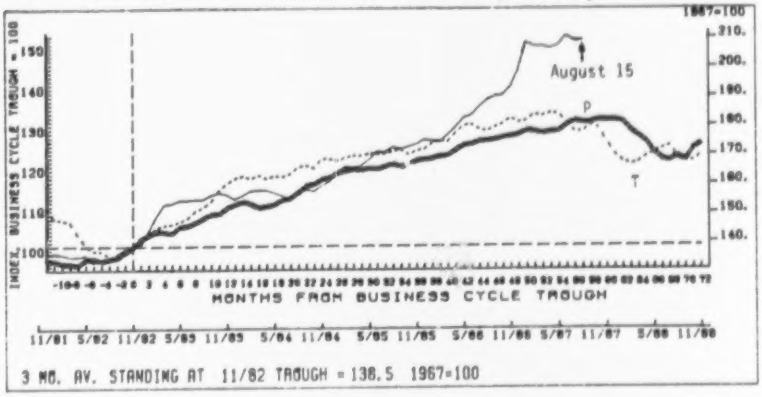
▬▬▬ THICK LINE indicates 1961-69 expansion (from February 1961) which continued for 106 months.

---------- DOTTED LINE indicates the 1975-80 expansion (from Mar. 1975), which ended after 58 months, and the subsequent recession (from January 1980 to July 1980).

———— THIN LINE indicates the current expansion (business cycle trough: November 1982 or IV Q 1982).

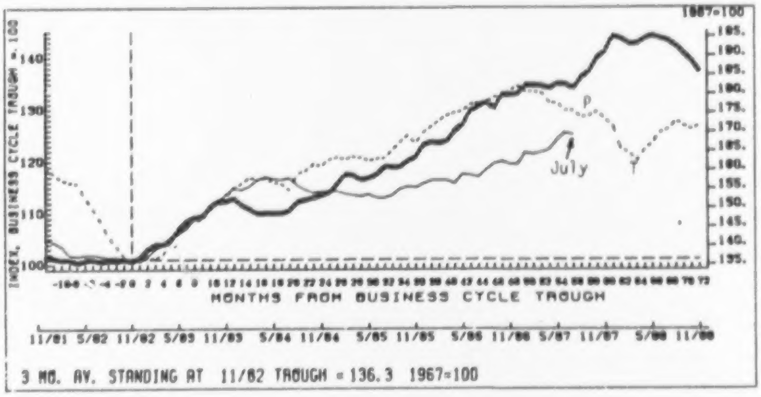
COMPOSITE INDEXES

1. BUSINESS WEEK LEADING INDEX (CIBCR)



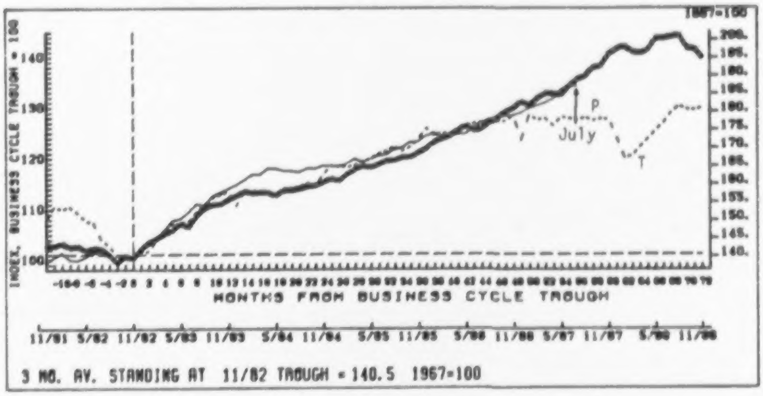
3 MO. AV. STANDING AT 11/82 TROUGH = 138.5 1967=100

1A. N.A.P.M. LEADING INDEX



3 MO. AV. STANDING AT 11/82 TROUGH = 136.3 1967=100

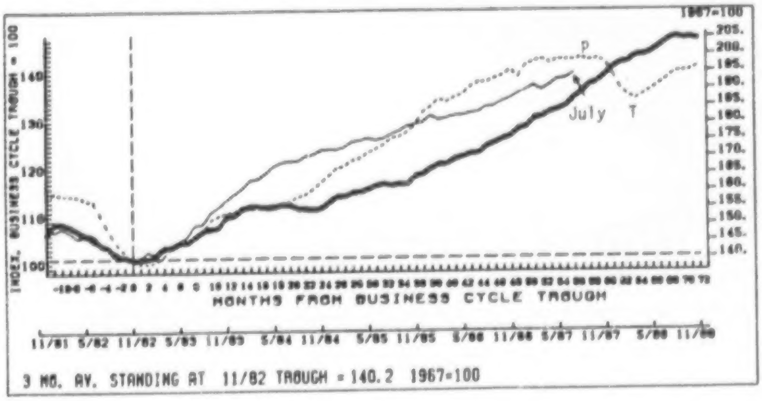
2. LEADING EMPLOYMENT INDEX (CIBCR)



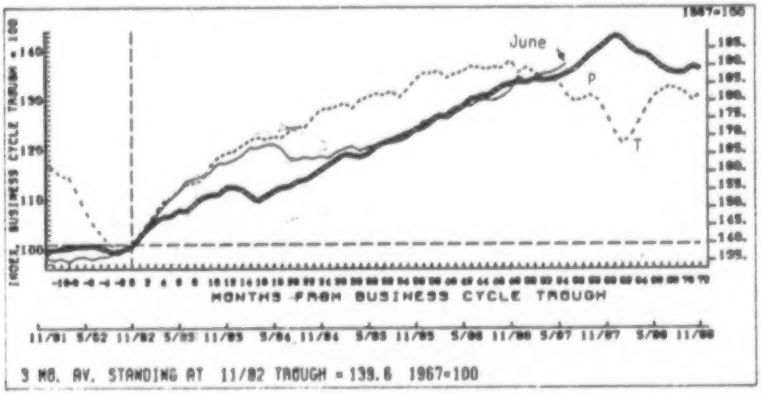
3 MO. AV. STANDING AT 11/82 TROUGH = 140.5 1967=100

COMPOSITE INDEXES, continued

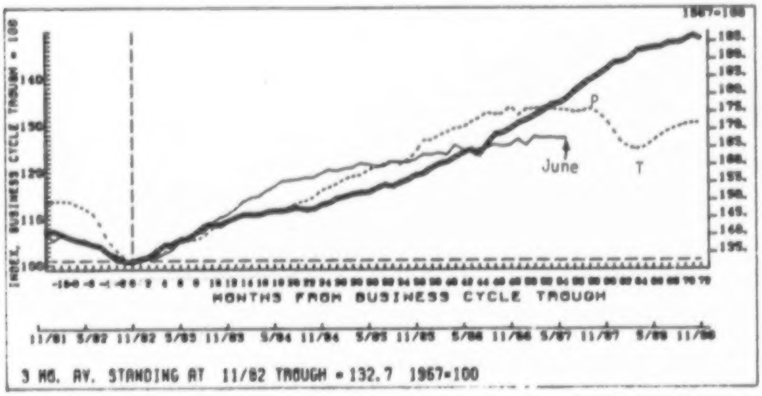
3. COINCIDENT EMPLOYMENT INDEX (CIBCR)



4. LEADING INDEX (BCD)

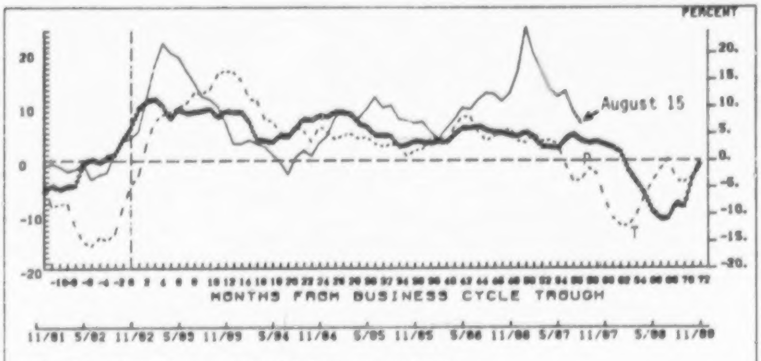


5. COINCIDENT INDEX (BCD)



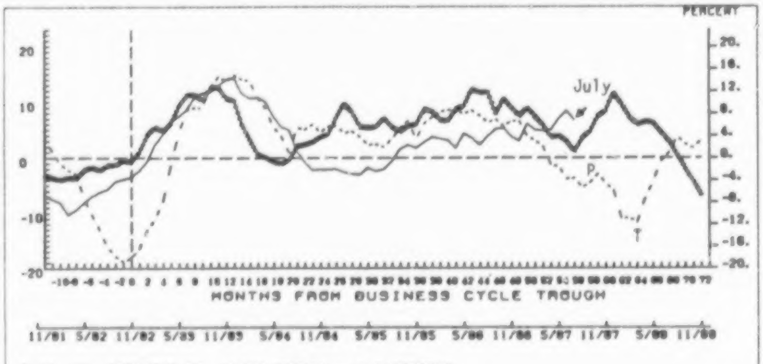
COMPOSITE INDEX GROWTH RATES

6. BUSINESS WEEK LEADING INDEX, GROWTH RATE



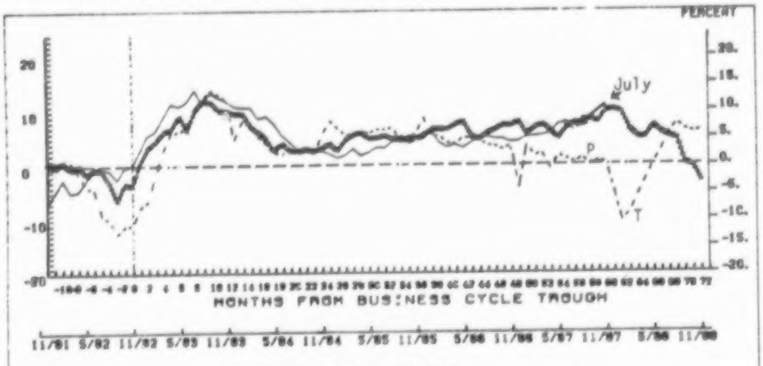
3 MO. AV. STANDING AT 11/82 TROUGH = 4.5 PERCENT

6A. N.A.P.M. LEADING INDEX, GROWTH RATE



3 MO. AV. STANDING AT 11/82 TROUGH = -3.2 PERCENT

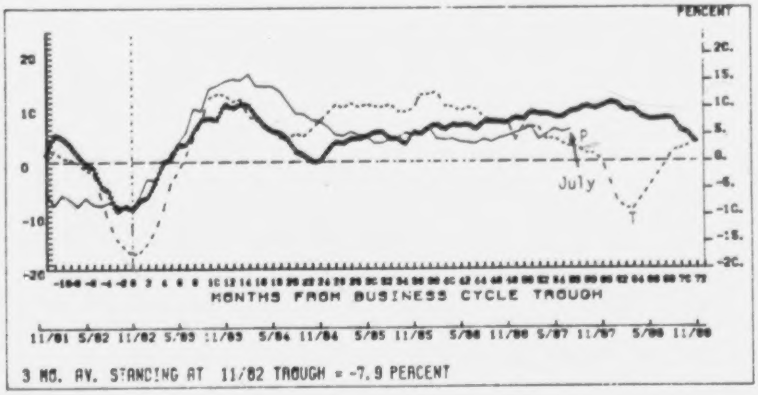
7. LEADING EMPLOYMENT INDEX, GROWTH RATE



3 MO. AV. STANDING AT 11/82 TROUGH = 0.8 PERCENT

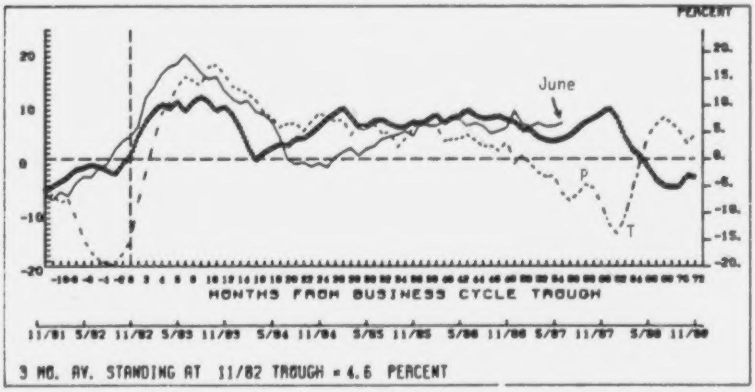
COMPOSITE INDEX GROWTH RATES, continued

8. COINCIDENT EMPLOYMENT INDEX, GROWTH RATE (CIBCR)



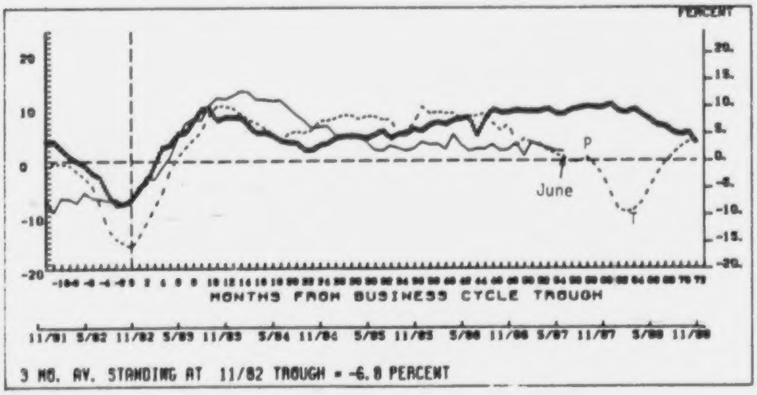
3 MO. AV. STANDING AT 11/82 TROUGH = -7.9 PERCENT

9. LEADING INDEX, GROWTH RATE (BCD)



3 MO. AV. STANDING AT 11/82 TROUGH = 4.6 PERCENT

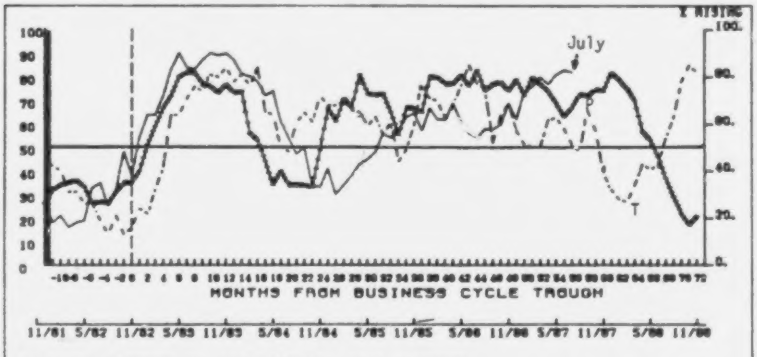
10. COINCIDENT INDEX, GROWTH RATE (BCD)



3 MO. AV. STANDING AT 11/82 TROUGH = -6.8 PERCENT

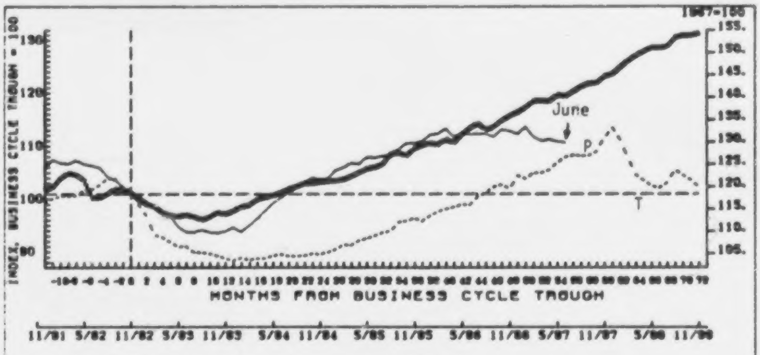
OTHER COMPOSITE INDEXES

11. DIFFUSION INDEX OF LEADING INDICATORS (CIBCR)



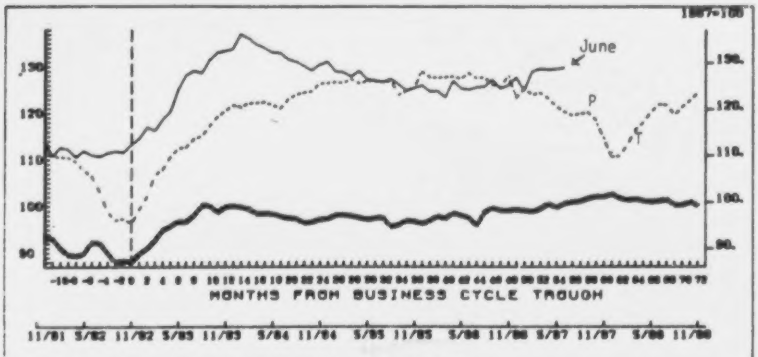
3 MO. AV. STANDING AT 11/82 TROUGH = 46.7 % RISING

12. LAGGING INDEX (BCD)



3 MO. AV. STANDING AT 11/82 TROUGH = 118.4 1967=100

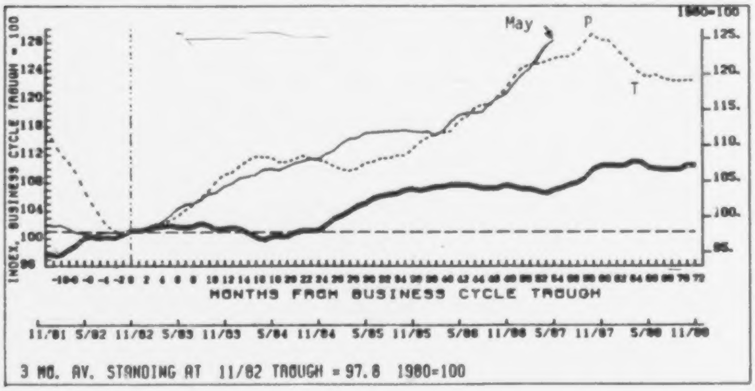
13. RATIO, COINCIDENT TO LAGGING INDEX



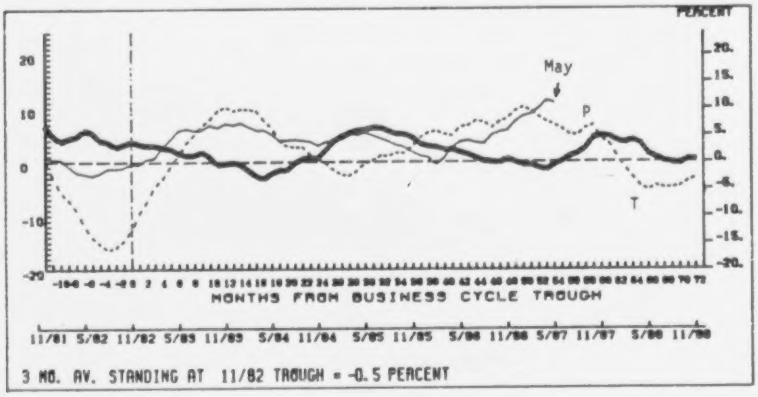
3 MO. AV. STANDING AT 11/82 TROUGH = 112.1 1967=100

OTHER COMPOSITE INDEXES

14. EIGHT-COUNTRY LEADING INDEX (CIBCR)*



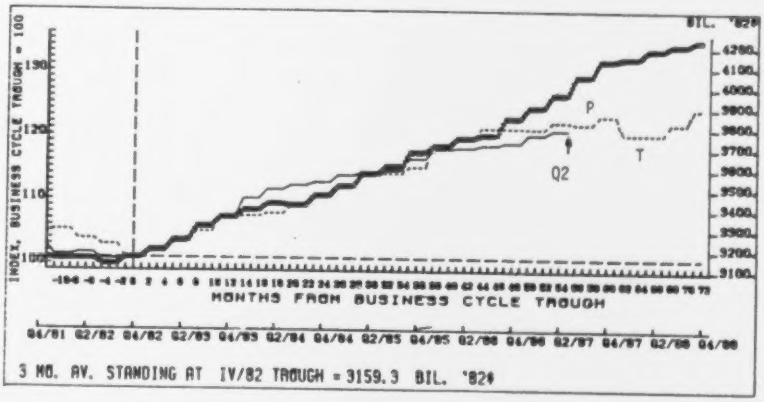
15. EIGHT-COUNTRY LEADING INDEX, GROWTH RATE



*Canada, United Kingdom, West Germany, France, Italy, Japan, Australia & Taiwan.

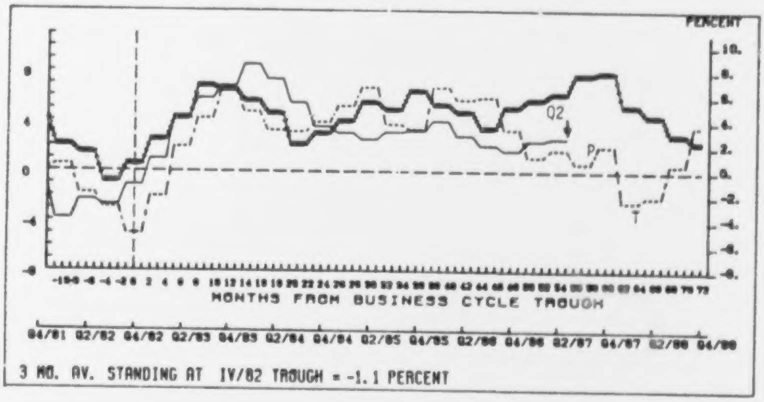
OUTPUT, INCOME AND SALES

16. REAL GNP



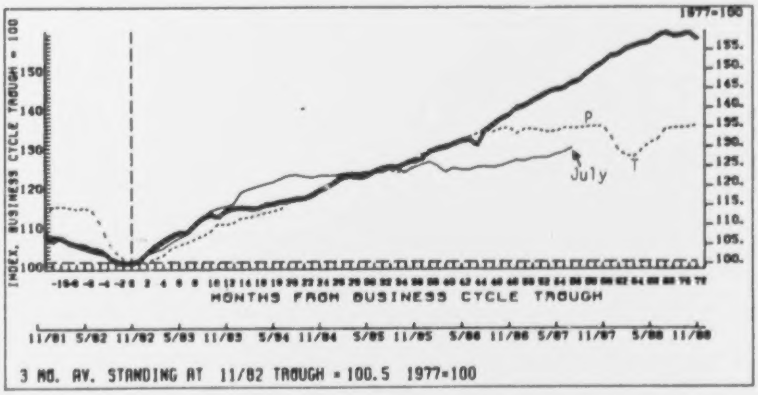
3 MO. AV. STANDING AT IV/82 TROUGH = 3159.3 BIL. '82$

17. REAL GNP, GROWTH RATE



3 MO. AV. STANDING AT IV/82 TROUGH = -1.1 PERCENT

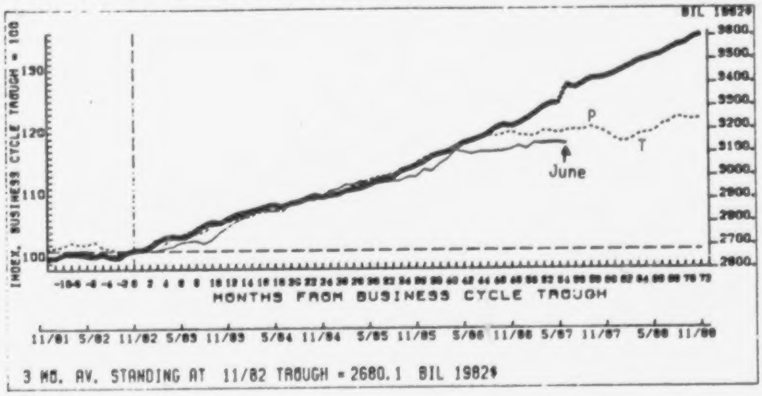
18. INDUSTRIAL PRODUCTION INDEX



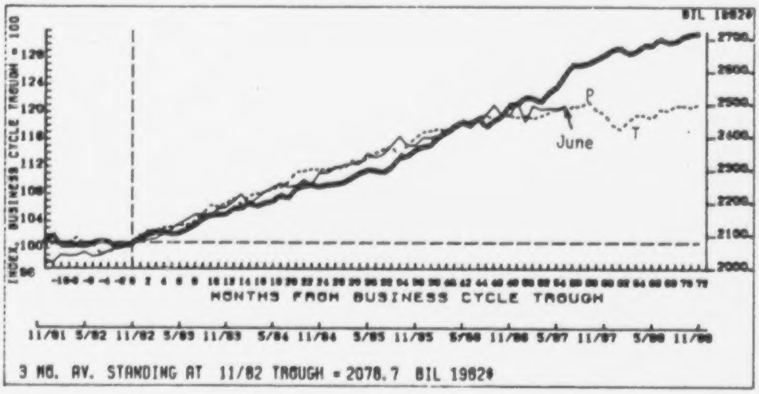
3 MO. AV. STANDING AT 11/82 TROUGH = 100.5 1977=100

OUTPUT, INCOME AND SALES, continued

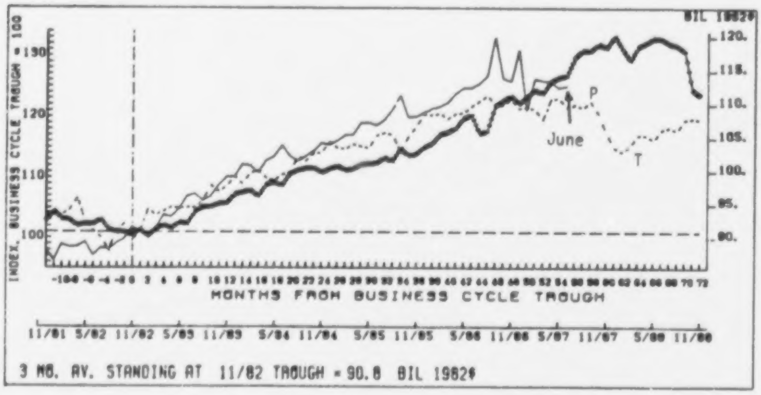
19. REAL PERSONAL INCOME



20. REAL CONSUMER EXPENDITURES

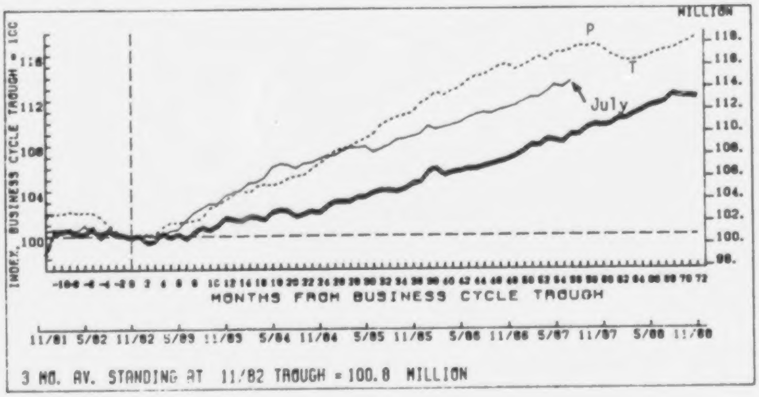


21. REAL RETAIL SALES



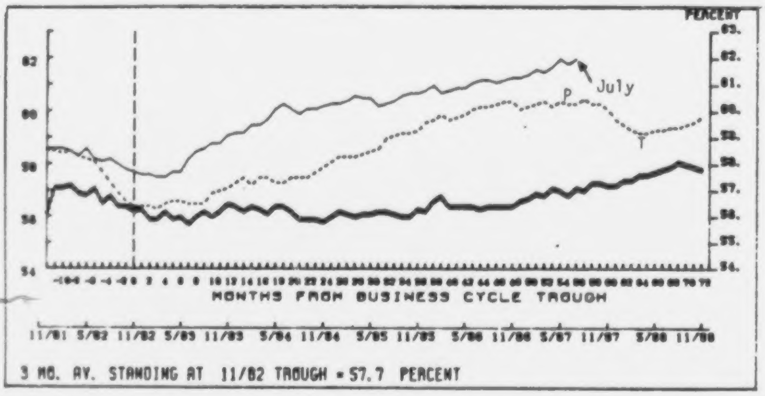
EMPLOYMENT

22. TOTAL EMPLOYMENT



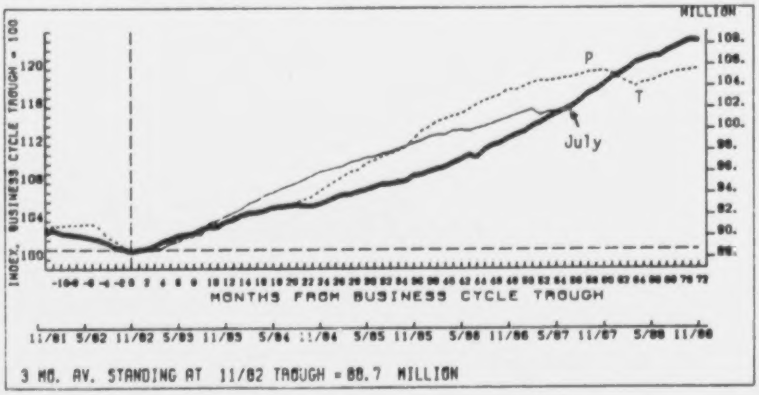
3 MO. AV. STANDING AT 11/82 TROUGH = 100.8 MILLION

23. EMPLOYMENT TO POPULATION RATIO



3 MO. AV. STANDING AT 11/82 TROUGH = 57.7 PERCENT

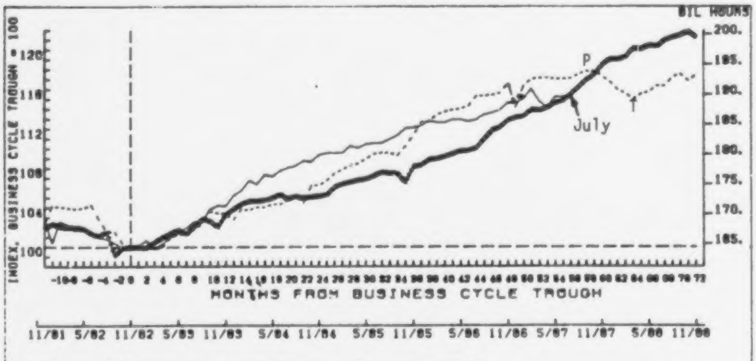
24. NONFARM EMPLOYMENT



3 MO. AV. STANDING AT 11/82 TROUGH = 88.7 MILLION

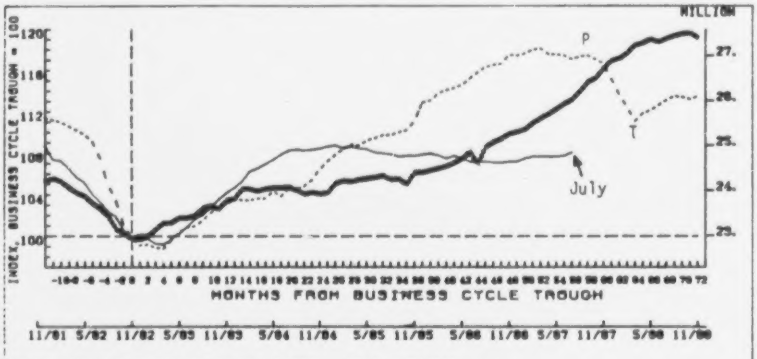
EMPLOYMENT, continued

25. NONFARM EMPLOYEE HOURS



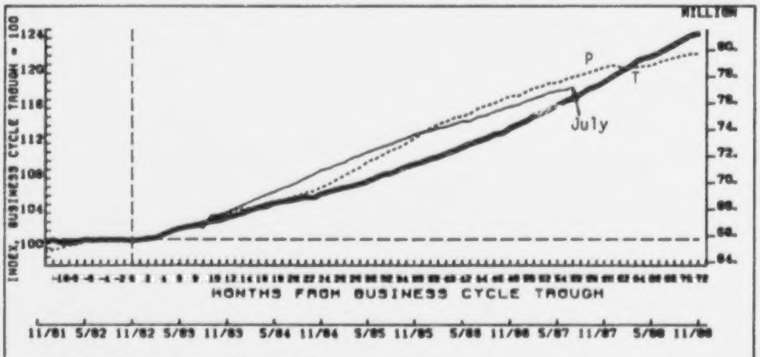
3 MO. AV. STANDING AT 11/82 TROUGH = 164.4 BIL HOURS

26. EMPLOYMENT IN GOODS-PRODUCING INDUSTRIES



3 MO. AV. STANDING AT 11/82 TROUGH = 23.0 MILLION

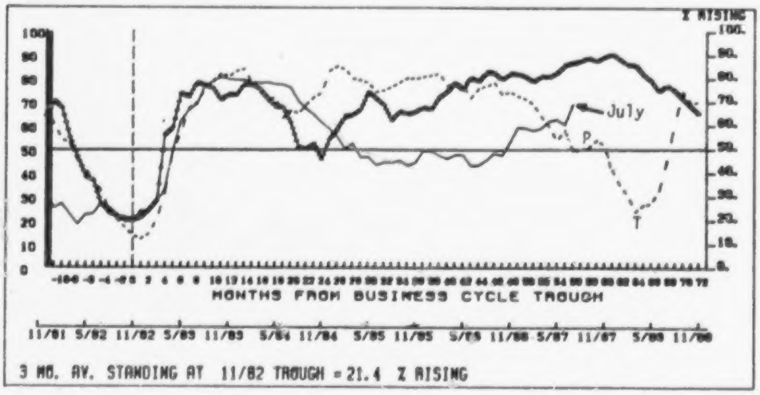
27. EMPLOYMENT IN SERVICE-PRODUCING INDUSTRIES



3 MO. AV. STANDING AT 11/82 TROUGH = 65.7 MILLION

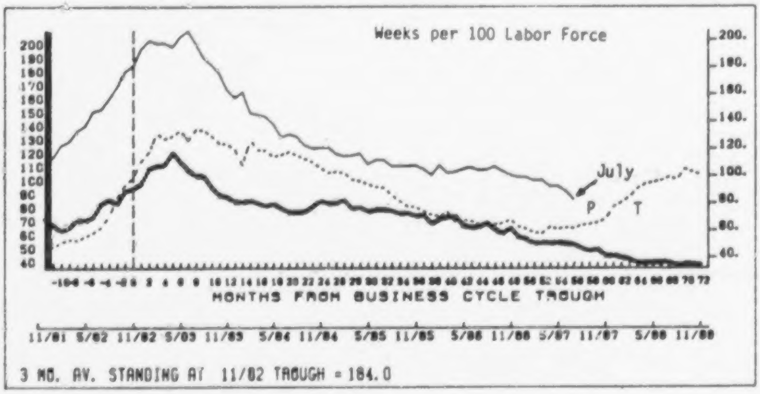
UNEMPLOYMENT

28. EMPLOYMENT DIFFUSION INDEX, 186 INDUSTRIES



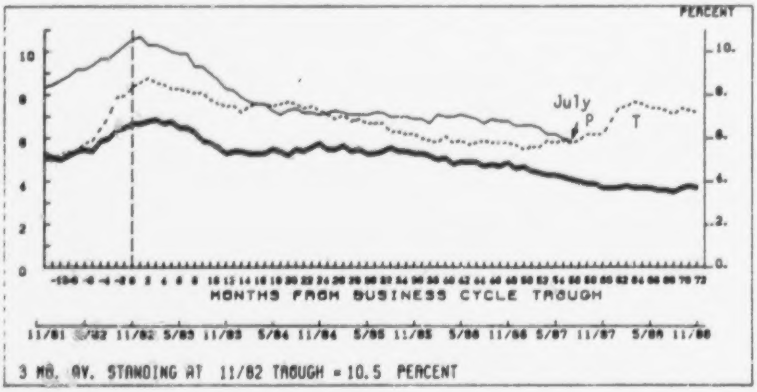
3 MO. AV. STANDING AT 11/82 TROUGH = 21.4 % RISING

29. UNEMPLOYMENT SEVERITY INDEX



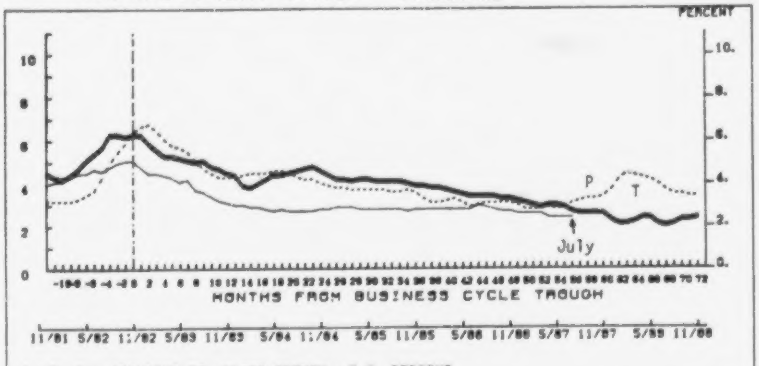
3 MO. AV. STANDING AT 11/82 TROUGH = 184.0

30. UNEMPLOYMENT RATE: TOTAL



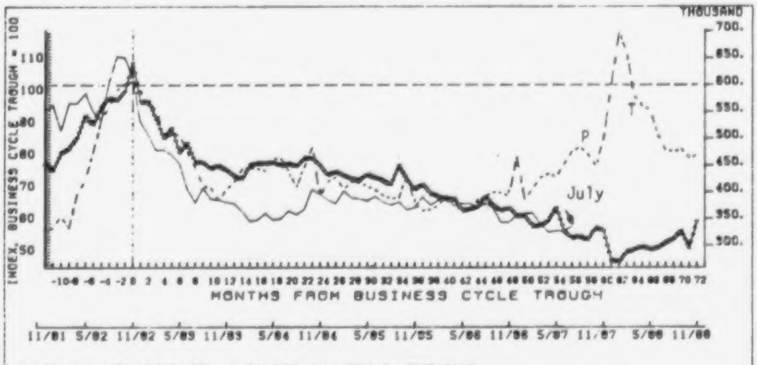
3 MO. AV. STANDING AT 11/82 TROUGH = 10.5 PERCENT

31. UNEMPLOYMENT RATE: INSURED



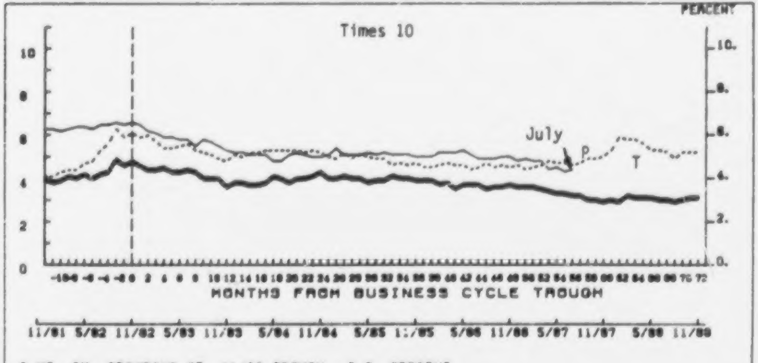
3 MO. AV. STANDING AT 11/82 TROUGH = 5.0 PERCENT

32. INITIAL CLAIMS, UNEMPLOYMENT INSURANCE



3 MO. AV. STANDING AT 11/82 TROUGH = 599.3 THOUSAND

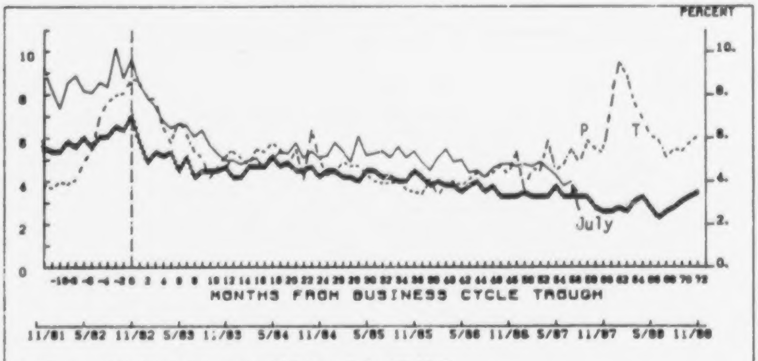
33. SHORT-DURATION UNEMPLOYMENT RATE



3 MO. AV. STANDING AT 11/82 TROUGH = 6.5 PERCENT

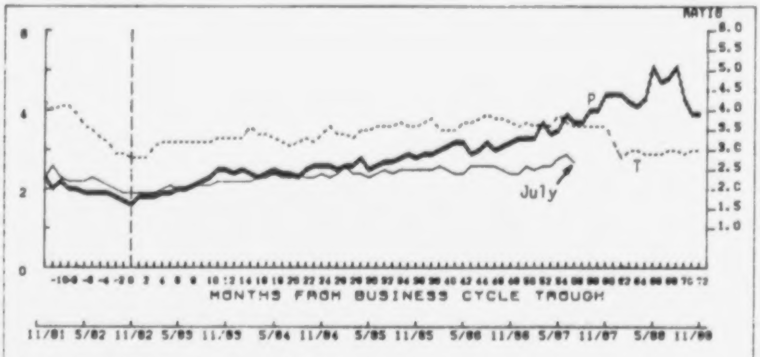
OTHER LEADING EMPLOYMENT INDICATORS

34. LAYOFF RATE UNDER 5 WEEKS



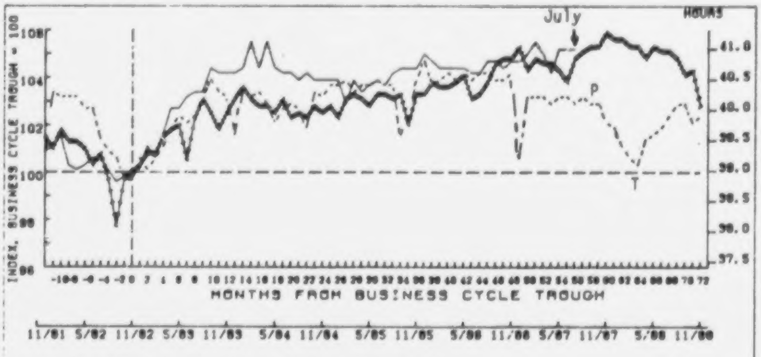
3 MO. AV. STANDING AT 11/82 TROUGH = 9.0 PERCENT

35. VOLUNTARY TO INVOLUNTARY PART-TIME EMPLOYMENT RATIO



3 MO. AV. STANDING AT 11/82 TROUGH = 1.9 RATIO

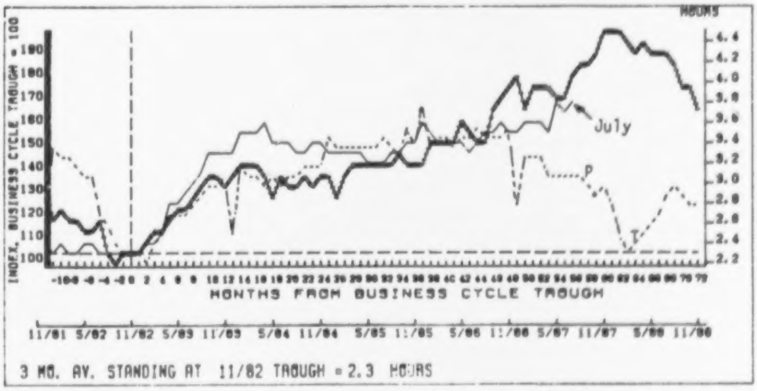
36. AVERAGE WORKWEEK, MANUFACTURING



3 MO. AV. STANDING AT 11/82 TROUGH = 39.0 HOURS

OTHER LEADING EMPLOYMENT INDICATORS, continued

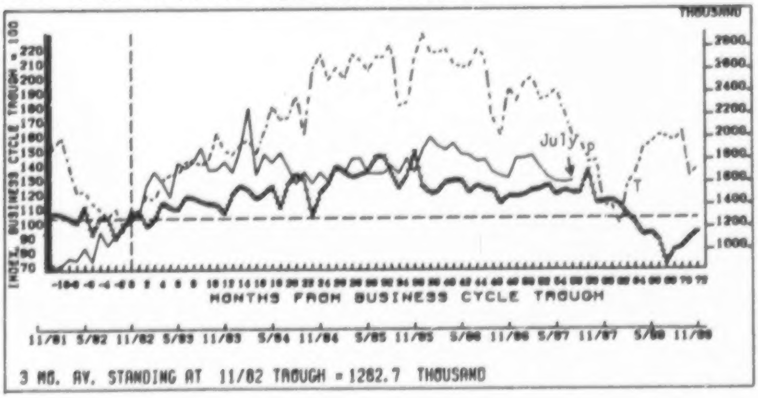
37. OVERTIME HOURS, MANUFACTURING



3 MO. AV. STANDING AT 11/82 TROUGH = 2.3 HOURS

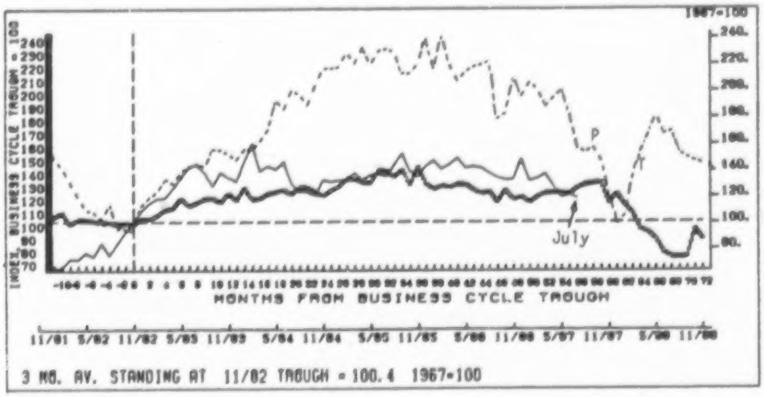
INVESTMENT COMMITMENTS AND INVENTORIES

38. NEW PRIVATE HOUSING STARTS



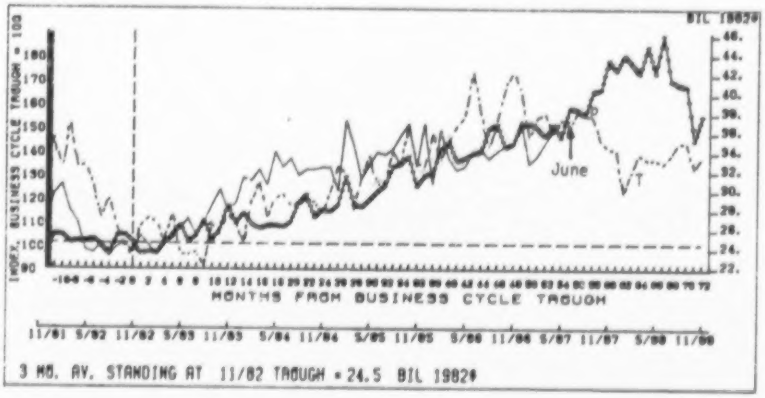
3 MO. AV. STANDING AT 11/82 TROUGH = 1282.7 THOUSAND

39. NEW PRIVATE HOUSING PERMITS



3 MO. AV. STANDING AT 11/82 TROUGH = 100.4 1967=100

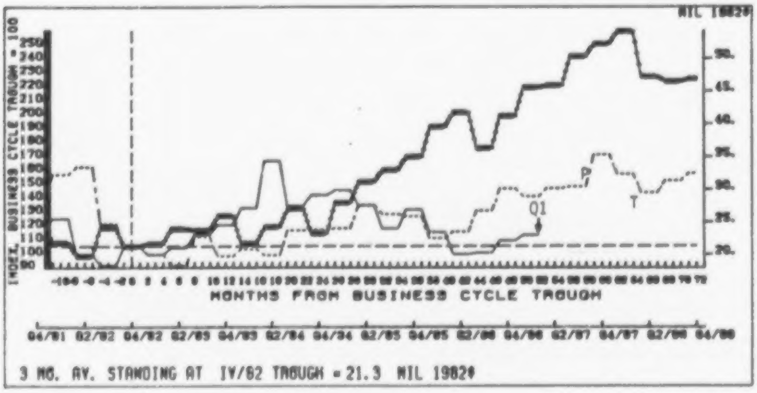
40. CONTRACTS & ORDERS, PLANT & EQUIPMENT



3 MO. AV. STANDING AT 11/82 TROUGH = 24.5 BIL 1982$

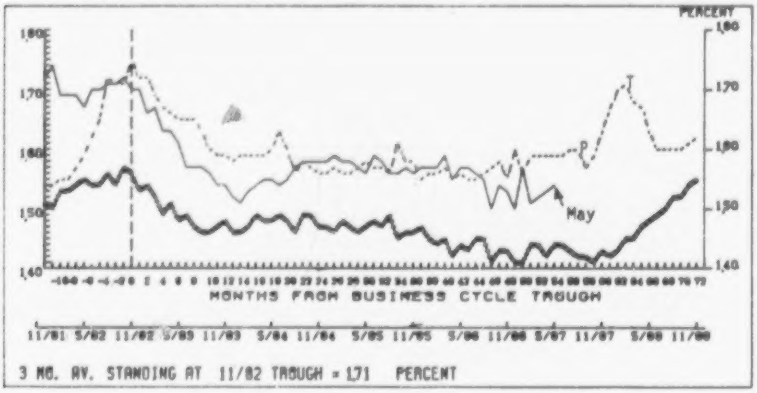
INVESTMENT COMMITMENTS AND INVENTORIES, continued

41. NEW CAPITAL APPROPRIATIONS, MANUFACTURING



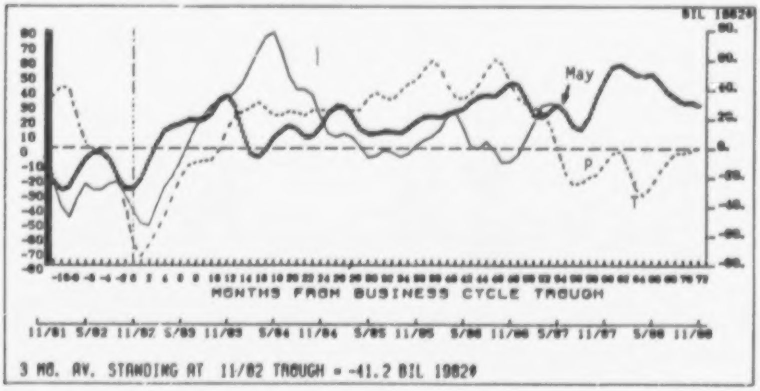
3 MO. AV. STANDING AT IV/82 TROUGH = 21.3 BIL 1982$

42. INVENTORY/SALES RATIO, MANUFACTURING AND TRADE



3 MO. AV. STANDING AT 11/82 TROUGH = 171 PERCENT

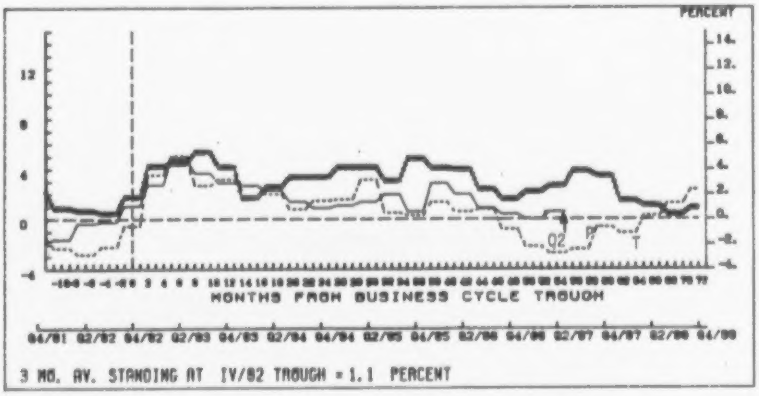
43. CHANGE IN INVENTORY ON HAND & ON ORDER



3 MO. AV. STANDING AT 11/82 TROUGH = -41.2 BIL 1982$

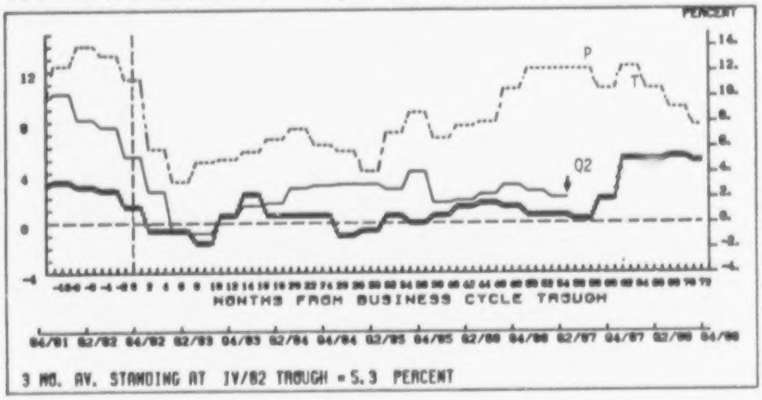
PRODUCTIVITY, WAGES, COSTS, PRICES AND PROFITS

44. OUTPUT PER HOUR, GROWTH RATE



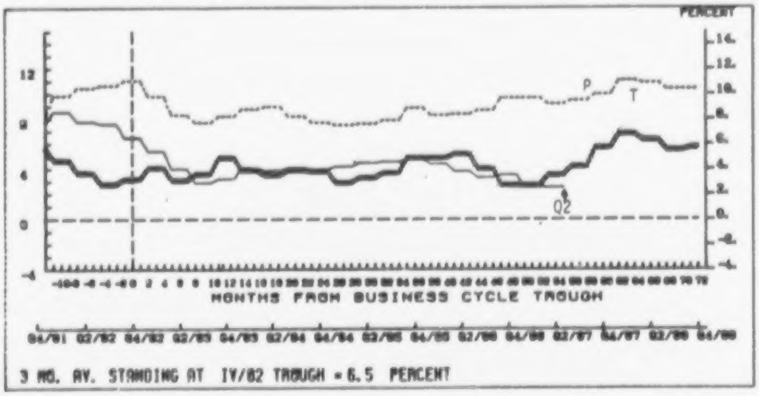
3 MO. AV. STANDING AT IV/82 TROUGH = 1.1 PERCENT

45. UNIT LABOR COSTS, GROWTH RATE



3 MO. AV. STANDING AT IV/82 TROUGH = 5.3 PERCENT

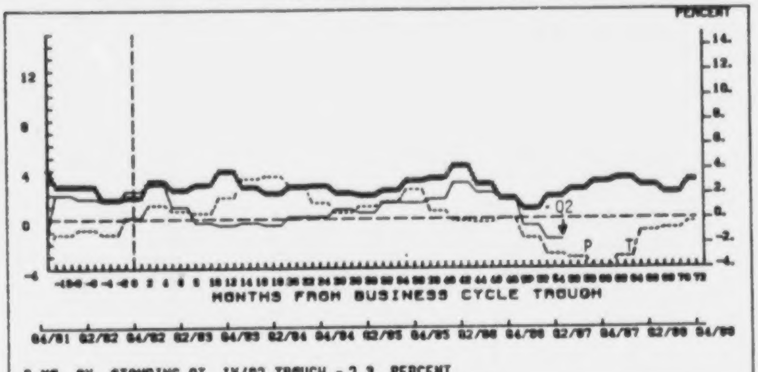
46. HOURLY COMPENSATION, GROWTH RATE



3 MO. AV. STANDING AT IV/82 TROUGH = 6.5 PERCENT

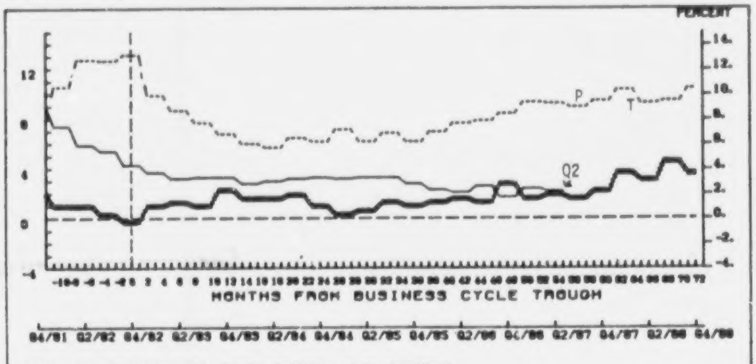
PRODUCTIVITY, WAGES, COSTS, PRICES AND PROFITS, continued

47. REAL HOURLY COMPENSATION, GROWTH RATE



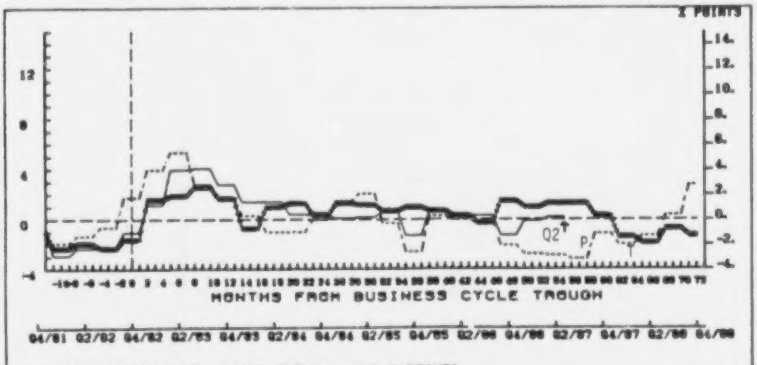
3 MO. AV. STANDING AT IV/82 TROUGH = 2.3 PERCENT

48. SELLING PRICE INDEX, GROWTH RATE



3 MO. AV. STANDING AT IV/82 TROUGH = 4.3 PERCENT

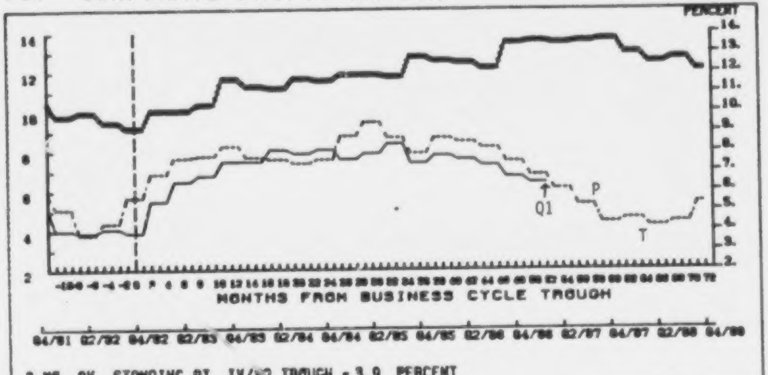
49. GROWTH RATE IN PRICES MINUS GROWTH RATE IN COSTS



3 MO. AV. STANDING AT IV/82 TROUGH = -1.0 % POINTS

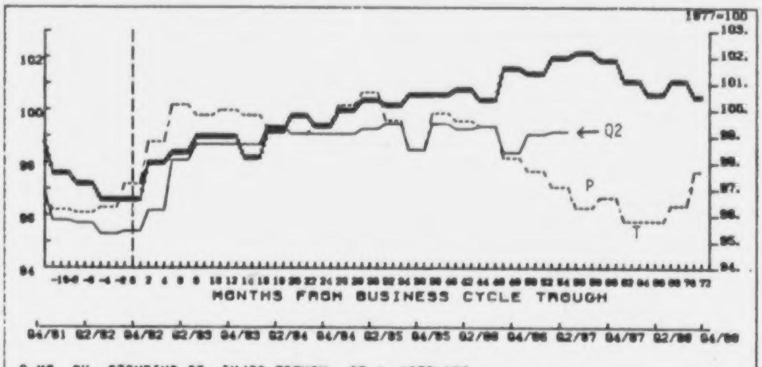
PRODUCTIVITY, WAGES, COSTS, PRICES AND PROFITS, continued

50. CORPORATE PROFIT MARGIN



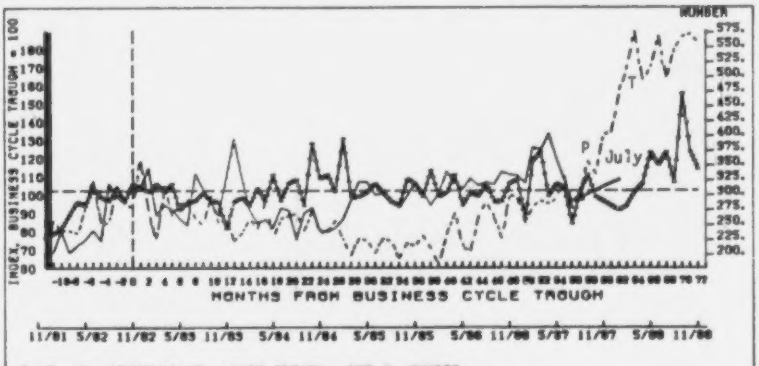
3 MO. AV. STANDING AT IV/82 TROUGH = 3.9 PERCENT

51. PRICE/LABOR COST RATIO



3 MO. AV. STANDING AT IV/82 TROUGH = 95.4 1977=100

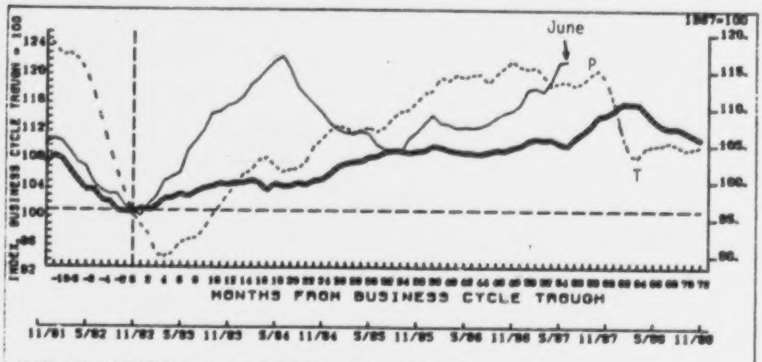
52. LARGE BUSINESS FAILURES



3 MO. AV. STANDING AT 11/82 TROUGH = 307.3 NUMBER

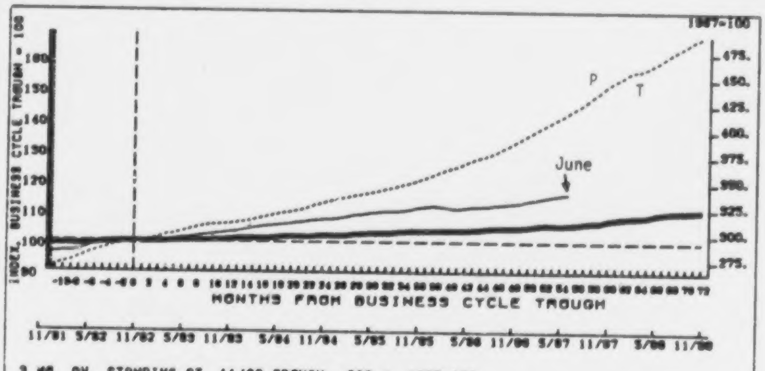
PRODUCTIVITY, WAGES, COSTS, PRICES AND PROFITS, continued

53. LEADING INDEX OF INFLATION (CIBCR)



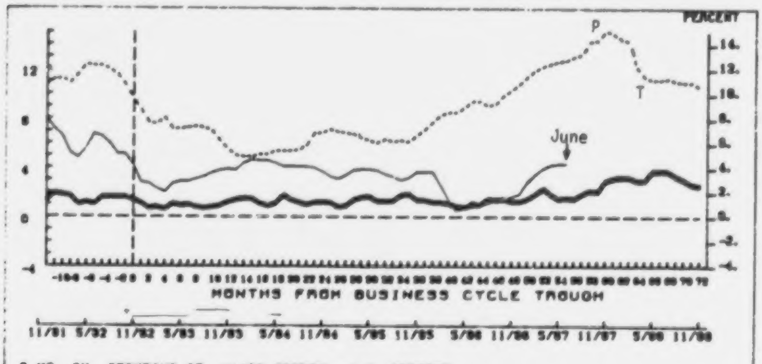
3 MO. AV. STANDING AT 11/82 TROUGH = 96.1 1967=100

54. CONSUMER PRICE INDEX



3 MO. AV. STANDING AT 11/82 TROUGH = 293.4 1967=100

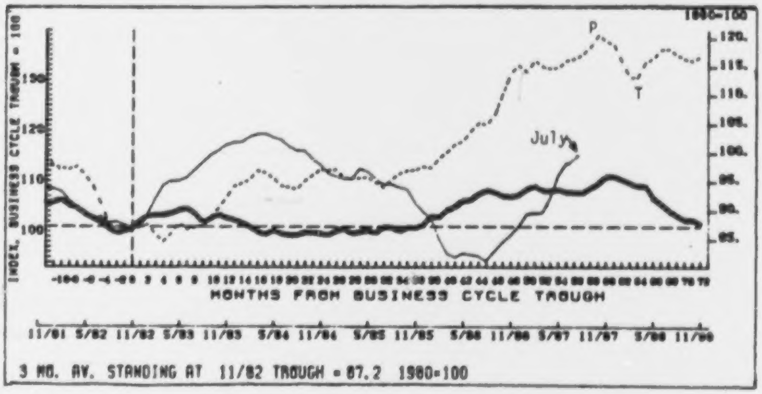
55. CONSUMER PRICE INDEX, GROWTH RATE



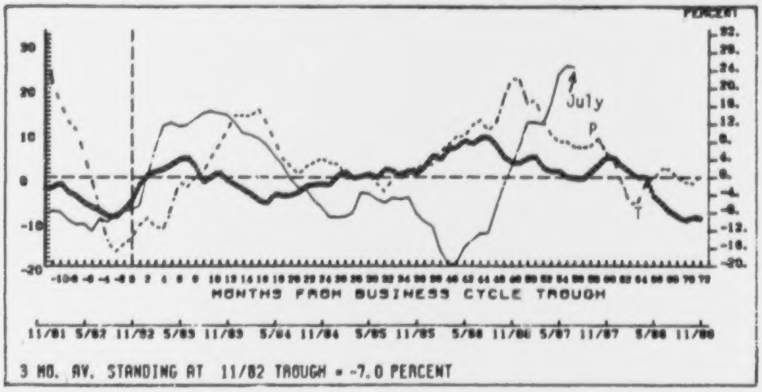
3 MO. AV. STANDING AT 11/82 TROUGH = 4.0 PERCENT

PRODUCTIVITY, WAGES, COSTS, PRICES AND PROFITS, continued

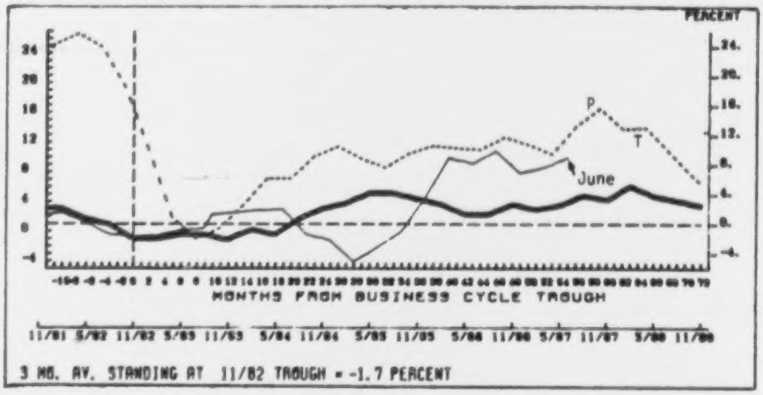
56. INDUSTRIAL MATERIALS PRICE INDEX



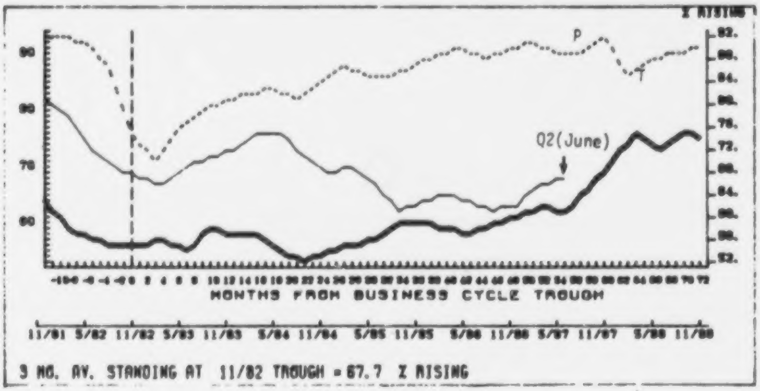
57. INDUSTRIAL MATERIALS PRICE INDEX, GROWTH RATE



58. IMPORT PRICE INDEX (EXCLUDING FUELS), GROWTH RATE



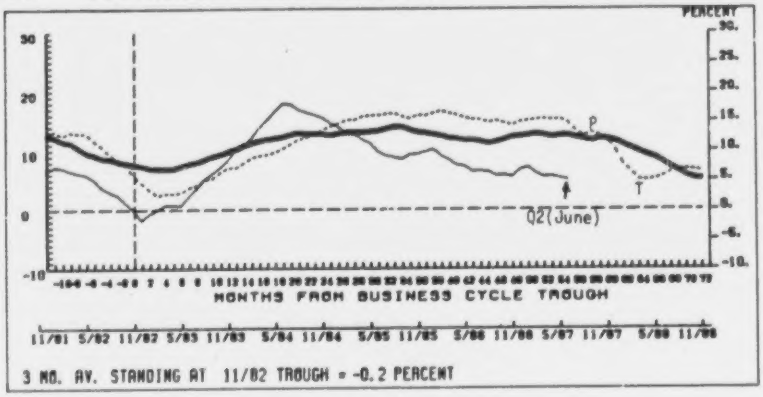
59. BUSINESSMEN'S ANTICIPATED SELLING PRICES (SURVEY)



3 MO. AV. STANDING AT 11/82 TROUGH = 67.7 % RISING

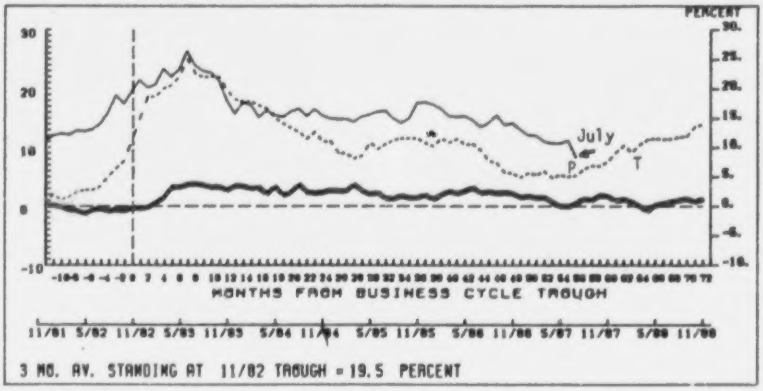
MONEY, CREDIT, INTEREST RATES AND STOCK PRICES

60. BUSINESS & CONSUMER DEBT, GROWTH RATE



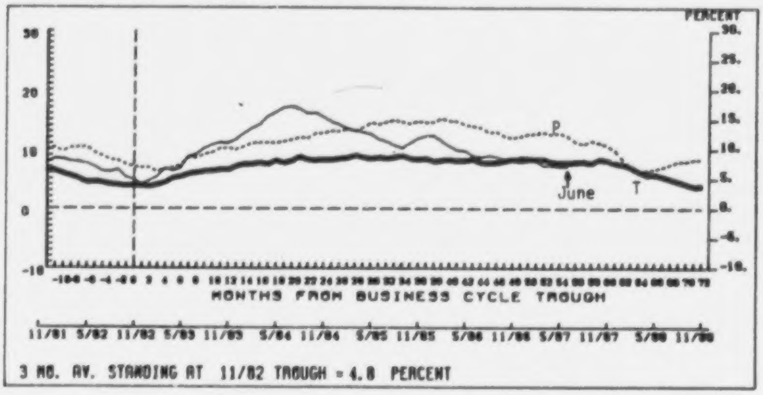
3 MO. AV. STANDING AT 11/82 TROUGH = -0.2 PERCENT

61. FEDERAL DEBT, GROWTH RATE



3 MO. AV. STANDING AT 11/82 TROUGH = 19.5 PERCENT

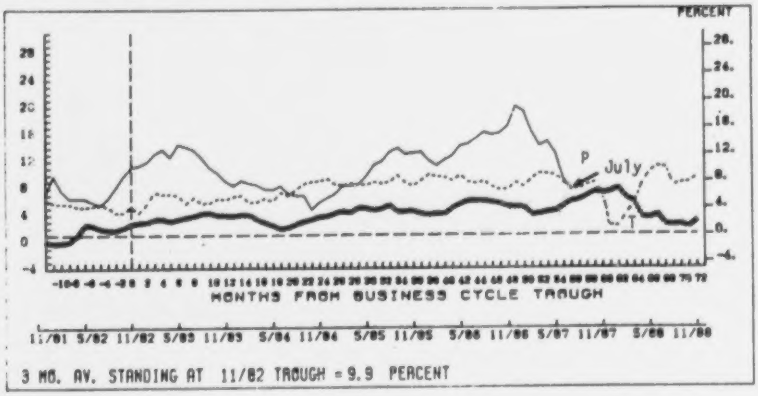
62. TOTAL DEBT, GROWTH RATE



3 MO. AV. STANDING AT 11/82 TROUGH = 4.8 PERCENT

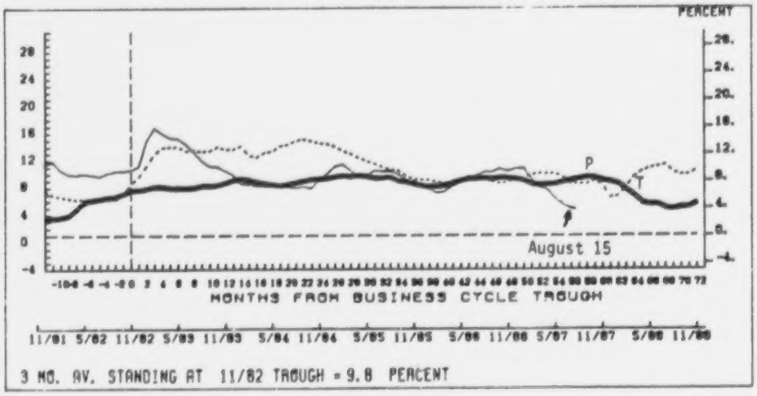
MONEY, CREDIT, INTEREST RATES AND STOCK PRICES, continued

63. MONEY SUPPLY (M1), GROWTH RATE



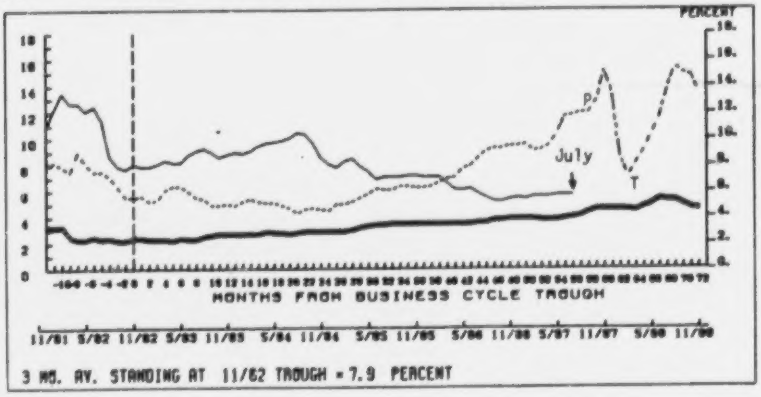
3 MO. AV. STANDING AT 11/82 TROUGH = 9.9 PERCENT

64. MONEY SUPPLY (M2), GROWTH RATE



3 MO. AV. STANDING AT 11/82 TROUGH = 9.8 PERCENT

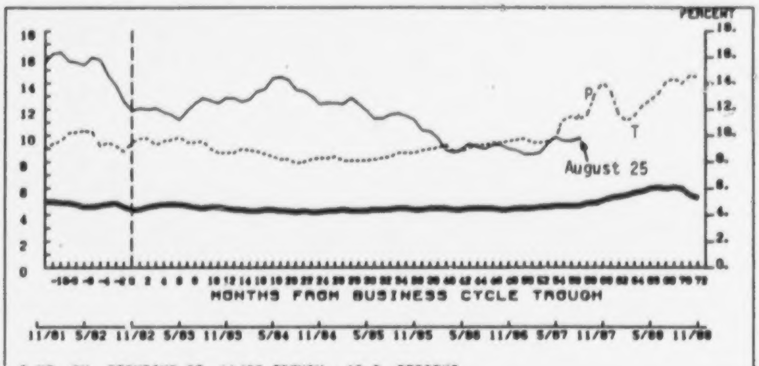
65. TREASURY BILL RATE (3-MONTH)



3 MO. AV. STANDING AT 11/82 TROUGH = 7.9 PERCENT

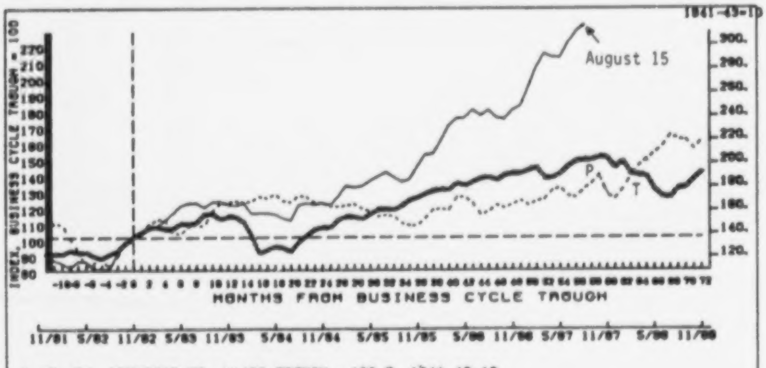
MONEY, CREDIT, INTEREST RATES AND STOCK PRICES, continued

66. NEW CORPORATE BOND YIELD (AA)



3 MO. AV. STANDING AT 11/82 TROUGH = 12.2 PERCENT

67. COMMON STOCK PRICE INDEX (S&P 500)



3 MO. AV. STANDING AT 11/82 TROUGH = 136.7 1941-43=10

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Uris Hall, Columbia University
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Telephone: (212) 280-2916

ABOUT THIS REPORT

RECESSION-RECOVERY WATCH is a bimonthly report designed to analyze current business cycle trends in terms of previous recession or recovery patterns in the United States.

This report was begun in August 1979, under the direction of Dr. Geoffrey H. Moore, following the methodology for measuring recessions developed at the National Bureau of Economic Research. Although no forecasts are made, the materials in this report do permit glimpses into the future: first by analyzing the behavior of various leading indicators; second, by indicating what is likely to happen in terms of what did happen in previous recessions and recoveries.

The leading indicators used in this report are relevant to future output and employment because they represent actions taken, like the placing of orders, that will result in future output, or because they reflect factors, like profits, that influence future decisions on output. The record of what happens during the latter stages of business cycles is relevant because of the family resemblance among successive cycles, a resemblance that has its origin in the processes by which business cycles are generated. Every business cycle has its own surprises, partly because of policy actions taken, but many developments are not surprising, having occurred many times before. The historical comparisons contained in this report help one anticipate what is typical and distinguish it from the unusual.

A 1986 Supplement to Recession-Recovery Watch contains a detailed set of tables analyzing the behavior of all the indicators in this report during each cycle from 1948 to 1985.

Other CIBCR publications include International Economic Indicators, a monthly 70-page data compilation on leading and coincident indicators for nine industrial countries. Monthly press releases are issued on a leading index of inflation and a leading employment index for the United States.

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